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ABSTRACT

Since 1989, citizen-generated ballot initiatives have appeared in several states. Common to several of these initiatives have been questions dealing with the funding of elementary, secondary, and higher education. The focus of these initiatives has shifted to how much the public is willing to pay for education. This project examines the causes behind these changes and the increasing role of public opinion in school funding in the form of citizen-led ballot initiatives. Several factors contributed to voter involvement in school finance issues. First, state legislatures are perceived as slow to act in school finance issues. Second, tax increase proposals, regardless of the merits, enjoy little support. Third, state legislatures have focused on improving educational achievement levels and performance-assessment tools. This study examined school finance laws and initiatives in seven states: California, Nebraska, Oklahoma, Colorado, Missouri, North Dakota, and Oregon. These case studies show that education finance measures are more successful when expenditures are directly tied to specific educational improvements that are carefully explained to the public. Broad public support and the type of tax also are important. Appendices on school finance data, education data for the 50 states, school finance litigation, and Oregon school finance reform ballot measures are included. (Contains 71 references.) (JPT)

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VOTERS AND SCHOOL FINANCE

The Impact of Public Opinion

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Voters and School Finance: The Impact of Public Opinion

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EXECUTIVE SUMMARY

Since 1989, citizen-generated ballot initiatives have appeared yearly in several states. Common to several of these initiatives have been questions dealing with the funding of education—elementary, secondary, and higher education. California has a long history of ballot initiatives since Proposition 13 was adopted in 1978.

Recently, however, these initiatives have focused on how much the public is willing to pay for education. Why have voters suddenly become so active in education funding issues that were left to state legislatures for many years? Has voter discontent with congressional and national officeholders pushed voters to become more active in state and local affairs? What are the implications of matters related to the funding of schools being left to public vote? What are the implications of public policy being circumvented from legislative bodies, in light of legislatures' constitutional responsibility for "establishing" and "maintaining" systems of "free" and "uniform" public education? These are some of the questions that are being raised by an activist citizenry that is deciding school finance issues at the polls. This project, though not attempting to answer all of these questions, seeks to point out the increasing role of public opinion in school finance and the implications of citizen-led ballot initiatives in states where they have occurred.

The evolution of voter involvement on school finance issues is tied to several recent occurrences. First, the public has perceived that legislatures are slow to act to finance schools. Second, there is a widespread perception that the public is unwilling to support any tax increases, regardless of the merits. This reluctance has been demonstrated repeatedly at all levels of government. North Dakota's experience is perhaps the best example of a failed education finance initiative. Finally, legislative bodies have focused their attention on improving educational achievement levels and adding the necessary outcome or performance assessment tools to determine the effect of increased educational expenditures. Colorado, Missouri, and Oregon are currently examining these issues.

This report examines the success and failure of school finance laws and initiatives in seven states: California, Nebraska, Oklahoma, Colorado, Missouri, North Dakota, and Oregon. Our analysis shows that education finance measures are more likely to succeed when expenditures are tied to specific educational improvements that are carefully explained to the public. Also important are broad-based support of the measure and the type of tax proposed.

SOME CHARACTERISTICS OF SCHOOL FINANCE LAWS AND INITIATIVES

As we analyzed the success and failure of state laws and initiatives dealing with school finance, some general principles emerged:

Since 1989, there has been an increasing willingness for voters to become more active in school finance and general education reform issues.

State initiatives have been successful in states where a package of educational reforms has been proposed and explained to the public before requesting a tax increase to pay for planned increases in educational expenditures.

In those states in which a tax initiative is proposed without first clearly detailing what the increased expenditure will accomplish, initiatives are unsuccessful.

Initiatives have the best chance of passage when the business community, education groups, and policymakers all demonstrate strong support for the initiative and fund a campaign to support it.

Where a tax increase has been proposed, the type of tax proposed (income, sales, excise, corporate, or "sin") is significant to the outcome of the vote.

1. OVERVIEW

Introduction

The issue of how to fund education has reappeared as a priority for state legislatures after it took a back seat to education-program reform in the early 1980s. This renewed attention to education and school finance was highlighted by the fact that in 1989 three state supreme courts declared their finance formulas unconstitutional; the Kentucky state supreme court went a step further and ruled the entire education system unconstitutional. (See *Helena Elementary School District No. 1 v. Montana, Edgewood Independent School District v. Kirby, and Rose v. Council for Better Education*). In 1990 the New Jersey Supreme Court also ruled against the state (*Abbott v. Burke*). However, there is much criticism aimed at legislators over this issue. There is a general feeling that legislators are reluctant to raise taxes to fund public education because of the potential political backlash that comes from raising taxes. One way to determine the accuracy of these perceptions is to examine the public opinion expressed in statewide votes.

Many ballot initiatives on education funding have been brought to the public for a vote. In some cases, voter approval has been required for education reform packages requiring tax increases, and in others, the voters themselves have initiated action. There is some question, though, about the effectiveness of this method. If school finance is decided by the voters rather than through the legislative process, what are the consequences? When education policy is made at the polls, it ignores the fact that the public does not have a good understanding of complex education policy issues including such things as average daily membership (ADM) and guaranteed tax bases (GTB). If the public does not understand the complexities of school finance, then policy may be determined more by the influence of the media and the strength of advertising campaigns than by the specific components of the legislation, including its provisions for affordability, quality, and equity.

The goal of this report is to examine the implications for state legislatures, schools, and school reform of the public's making school finance decisions at the polls. This project examines six recent occasions where ballot initiatives on school finance have been brought to the voters during the general elections of 1989 and 1990 and one initiative on the ballot in November 1992.

This report includes an analysis of initiatives in each of the states, a description of proposed legislation, background on its schools, discussion of budgets, and an overview of previous school reforms. It also analyzes any lawsuits brought against the state for inequitable financing and discusses the major players involved and their influence on the legislation. These groups include the media, the governor, lawmakers, the education community, and the general public. Finally, each case study describes what happened after the proposed bill was passed or defeated.

Each state analysis covers slightly different material, but all provide a comprehensive understanding of what happened and in what type of political environment. The conclusion suggests the policy implications of various education funding mechanisms and discusses what the future holds for school finance.

Recent State Activities

California

California passed Proposition 98 in 1988. It guaranteed, in its constitution, that education would receive approximately 40 percent of the state budget (general fund). The education community was actively involved and was able to place it on the ballot, but many legislators and other political leaders opposed the measure. Proposition 98 was passed on a close vote because of the fiscal condition of the state and competing budgetary interests. Proposition 98 provides additional money for schools and school accountability.

Education-related ballot issues have a long history in California. A lawsuit was

brought in California in 1973, dealing with school spending inequities. As a result, California was the first state to have its state education funding declared unconstitutional.

Proposition 13, which included a property tax lid, passed in 1978. It equalized spending, but as a result, critics feel it caused school quality to erode. In 1987, $1.1 billion was returned to taxpayers after a budget deadline was reached before lawmakers could agree on a plan that would increase school spending. This stirred a debate that frustrated many people who were unhappy with the limits on state spending. Proposition 98's passage in 1988 indicated the public was willing to spend more for education.

Proposition 98 brought an increase in political conflict among other state agencies and interests who had to face budget cuts in order for the state to fund education. Generally, the education community was unified in its support of Proposition 98.

Colorado

Governor Roy Romer asked Colorado voters in November 1992 to approve a $320 million sales tax increase to improve schools. Many education reforms were connected with this tax proposal, including lower class sizes, expansion of preschool for children at risk of school failure, and increases in teacher salaries. The governor took this action to avoid cuts in K-12 education in the current budget and because the legislature was reluctant to raise taxes during the 1990, 1991, and 1992 legislative sessions. Because the ballot measure, Amendment 6, did not pass, there will be a large deficit in the budget for the fiscal year beginning in July 1993. Current estimates project a school finance deficient of $329 million. The onus for crafting a solution now rests squarely with the legislature and the governor.

In 1982, the Colorado Supreme Court upheld the constitutionality of the school finance system (*Lujan v. Colorado State Board of Education*). In 1988, the legislature enacted a school finance act that was designed to equalize per-pupil expenditures among districts by increasing the state's role and reducing the share paid by local property taxes. This act has never been fully funded by the legislature.

The public is worried about the potential cuts schools will have to face; however, this did not stop the defeat of Amendment 6. School administrators are now grappling with a projected average 9 percent cut in their budgets.

Missouri

In 1990, a lawsuit was brought by rural school districts, claiming that the state's school finance system was unconstitutional. Previous efforts to change the system failed because it was perceived that many of the school districts would have lost state aid. Proposition B, which called for a $385 million tax increase in Missouri, was defeated by the voters in November 1991. The Republican governor and Democratic leaders supported the measure, which also called for greater accountability in education spending, including reports to taxpayers on school performance. It also provided money for a study of the school finance system.

Prior to Proposition B, the governor opposed any levy except his own $55 million tobacco-tax proposal, making any other tax increase politically impractical.

Reluctant at first, the governor in the end supported Proposition B, along with other public officials and gubernatorial candidates, even though many felt it was not ideal for the public schools. The business community also supported it because the tax burden was spread out, but businesses were not enthusiastic campaigners. The campaign waged by the proponents took on a low profile because of a perceived unwillingness of the public to support any tax increase. Proposition B failed to pass, and 75 school districts faced bankruptcy.

The general feeling was that the recession made it difficult for Missourians to take on an increased tax burden. Lawmakers discussed plans to debate a new education tax increase of $100 million that would not be submitted to voters. Tax increases were

passed during the 1992 legislative session; however, none were earmarked for education. The state increased the gasoline tax, modified the health care provider tax, imposed air emissions fees, and imposed taxes on water supply customers.

Nebraska

Legislative Bill 1059 was passed during the 1990 Nebraska legislative session after an override of the governor's veto. It provided greater state support for local schools, from 25 percent to 45 percent of operating costs, by substituting state sales and incomes taxes for local property taxes. The main goal was to reduce property taxes and equalize educational opportunities for all students in the state.

The business community was alarmed because of the possibility that the increase in taxes would make them less competitive with surrounding states. Petition circulators got enough signatures to put a measure on the ballot to repeal the law; however, the law was upheld.

Prior to LB 1059, the Nebraska Legislature had created the School Finance Review Commission to review school finance and offer a plan to overhaul it. The commission prepared a set of recommendations which became LB 611. LB 611 passed in 1989, indicating the legislature's intent to replace the state aid system with a more equitable system. Unlike LB 1059, Governor Kay Orr allowed LB 611 to become law.

Senator Ron Withem, education committee chair, sponsored LB 1059, which represented many recommendations made by the School Finance Review Commission. The education community generally supported the bill. When the legislature overrode the governor's veto of LB 1059, it showed that legislators were willing to take a leadership role in funding schools more equitably. Nebraskans Against Higher Taxes (NAHT) launched a strong campaign against the bill, the group was not successful.

In 1990, a school finance suit was filed. In *Gould v. Orr* two farmers filed suit against Governor Kay Orr, Education Commissioner Joe Lutjeharms, and other state officials to equalize state aid to schools; but a lower court judge ruled that Nebraska's constitution does not guarantee education to its students. The Nebraska Supreme Court affirmed dismissal of the suit.

North Dakota

Measure 4 was defeated in North Dakota in 1990. It would have raised $42 million that would have been used to restore money cut from the education budget. The previous December, voters had rejected a series of tax hikes that had already been approved by the legislature.

HB 1637 was passed in 1989; it increased the equalization factor in funding school districts. In June 1989, nine school districts challenged the constitutionality of the state's education finance system. The suit is still pending, although the trial was held in summer 1992. A decision is expected early in 1993. It is unclear if this court case influenced the defeat of Measure 4. Governor George Sinner felt that voters wanted better schools with concrete reforms. After Measure 4 was defeated, the governor initiated the first-ever North Dakota education summit to ensure that any future tax increase for education would be accompanied by specific education reforms.

Oklahoma

In 1990, an extensive and complicated bill, HB 1017, prescribed a number of new regulations, programs, and initiatives aimed at increasing the quality of education. The Oklahoma Legislature approved increases in taxes to fund the improvements, but a group called Stop Taxing Our People (STOP) worked to get a statewide vote to repeal it. The repeal was unsuccessful.

Task Force 2000 was established in 1989 to provide the Legislature with a blueprint for improving public schools. Members of the task force represented a variety of interests. A diverse group of business, education, and

citizen organizations also supported the recommendations and the subsequent bill from the task force. The task force had a great deal of influence on the subsequent passage of HB 1017.

In 1988, the Oklahoma Legislature attempted property-tax reform by agreeing to place a proposed constitutional amendment before voters during the March 1989 special election. The governor opposed it, and lawmakers changed their minds and voted to remove it.

A coalition of 38 poor districts filed suit in 1980. Finally, in 1987, the Oklahoma Supreme Court held that neither the federal nor state constitutions required the legislature to ensure equal per-pupil spending throughout the state.

Oregon

Measure 5 was passed by the people of Oregon in November 1990. It lowers property taxes and requires the state to replace the lost revenue. In the years between 1968 and 1985, Oregon had 15 separate measures placed on the ballot dealing with school finance. Eight were voter-initiated.

The governor created the Commission on School Funding Reform to investigate education financing. Two initiatives resulted, but voters defeated both. The Oregon Legislative Assembly, however, was able to pass similar bills in the same year, but with decreased funding. In 1989, a lawsuit was brought by the Coalition for Equitable School Funding. The state supreme court upheld the constitutionality of the school finance system, saying that it did not require equal funding for its students.

However, in 1991 the Oregon General Assembly passed a landmark school finance bill, the goal of which is to provide equity in funding public education. This new funding formula is based on the idea of equal funding for like students, regardless of where the students live.

Increased Emphasis on School Finance

State supreme court decisions overturned school finance systems in Kentucky, Montana, and Texas in 1989. There are currently 23 additional states with cases pending or anticipated. In the 1990 general election, nine states had major education finance initiatives on their ballots; only two other states, Colorado and Illinois, had initiatives in 1992. Between 1970 and 1983, school finance systems were found unconstitutional in Arkansas, California, Connecticut, New Jersey, Washington, West Virginia, and Wyoming, while courts in numerous other states upheld their finance systems.

There are several reasons why school finance is becoming a top priority again in state legislatures around the country. Some of these reasons are:

- ❑ Increased inequities in funding level due to changing demographics
- ❑ Increased litigation
- ❑ Severe state budget problems
- ❑ Programs developed incrementally rather than comprehensively
- ❑ The influence of education interest groups
- ❑ Lack of confidence in public schools

Inequities Due to Changing Demographics

The flood of people to suburban areas and away from cities and rural areas has exacerbated the disparities between rapid increase in taxable property in suburban areas and limited taxable property in urban and rural areas. This, along with the influx of a poorer, minority population, has given rise to inequities in educational achievement and education quality, especially where schools are funded mostly from local property tax revenues, although nationally only 44 percent of funding is provided from local sources (Odden 1991). Litigation may provide the needed impetus for increasing fiscal equity. It also may confuse the issues and interfere with progress in changing school finance systems.

Increases in Litigation

The fundamental argument in most of the court cases is that use of the property tax to fund schools creates a system where the financial resources available to support a student's education in a public school district are a function of a student's residency. Most lawsuits are brought by a coalition of poor school districts that do not have the same amount of revenue that wealthier districts receive. Studies have shown that high-wealth districts are often able to provide more extensive curricula, technological equipment, better libraries, more teacher aides, lower student-teacher ratios, parental involvement programs, and dropout prevention programs. They may also be more able to attract and retain better qualified teachers and administrators.

A major problem with litigation is that it is difficult to predict how a particular court will respond to a school finance case; in addition, litigation often takes years to complete. Litigation is not a panacea; it is a method of last resort that should be employed only after careful evaluation of alternative strategies to improve the system. However, plaintiffs believe that even if there is a slight chance of winning, a lawsuit should be brought, under the assumption that the public exposure provides school districts with needed publicity to underscore with needed publicity to underscore the budgetary plight of some.

State Budget Problems

Today's legislatures are facing a fiscal crisis because of a lagging economy and the rising costs of providing government services such as health care, criminal justice, and public welfare. There is disagreement over where cuts, if any, should be made. Many feel that schools are already getting too much money and that more money does not necessarily mean better schools; the education community, however, generally disagrees with that assessment. Strong opposition to tax increases is evident in national polls, and voters increasingly have defeated tax proposals.

Programs Developed Incrementally

School finance systems distribute large amounts of money for programs that have developed over time. Examples of such programs are special education, ESL (English as a second language), and bilingual programs. Some taxpayers feel that many programs are inefficient or unsuccessful, but they are retained anyway. This practice leads some to doubt whether money for education is being spent wisely.

The Influence of Education Interest Groups

Lawmakers deal with hundreds of local school boards, a state board of education, affiliates of the National Education Association and the American Federation of Teachers, an administrators' association, and a statewide affiliation of school districts. These groups are capable of keeping school finance on the top of the agenda. Parents, businesses, and other public officials are also involved and have their own agendas concerning school finance. These reasons alone indicate the enormity of the school bureaucracy and why it is so difficult to institute change.

Lack of Confidence in Schools

A well-known and long-standing reason for the attention focused on schools, school reform, and school finance is the general feeling that our public schools are not performing well, as shown by international comparisons. People disagree about why schools are unsuccessful, and there is no consensus about how to restructure schools so that they provide better services and higher levels of achievement.

All of these reasons make it necessary to understand the impact of public opinion on school finance, particularly if major changes in school finance are being initiated and decided by the public. Such things as a legislature's ability to cap property taxes, for instance, and take more responsibility for paying for schools through alternative taxation or funding mechanisms may be hindered by unwilling voters.

There may be unexpected consequences to changes in funding systems, such as a decrease in local control over schools once the state pays a larger percentage of school operating costs. In many states local autonomy for education is an important issue that the public is reluctant to give up. If voters agree to changes, or to increases in tax rates, they will likely demand more school reforms and school accountability. Legislators generally agree that increased taxes should accompanied by greater accountability and improved results. This requirement may result in improvements in education and increased funding for reforms that were previously mandated.

School Finance Systems

The nation's public schools cost approximately $200 billion a year to operate and, together, the states provide about half of that amount. The numerous school districts in each state compete for state aid, along with other agencies who fight for more aid in their area.

School finance inequities are the result of the way states finance public schools. Local property taxes provide a major source of revenue for the schools. Early in the 20th century, local revenue paid for most of a school's operating costs, state revenue provided a minimal amount, and the federal government provided next to nothing. Today, local revenues still make up 44 percent of education revenues nationally, with the states providing 50 percent and the federal government 6 percent (Odden 1991 and Hoffman 1991). The state expanded its role because only the state can equalize local education tax bases or spending for schools across districts. Additionally, the state is responsible for establishment and maintenance of public education as provided for in state constitutions.

Fiscal inequities result, in part, when there is heavy reliance on local property taxes, because the property tax base is not distributed equally across school districts. At a given tax rate, districts with high property wealth can raise more money per pupil than districts with low property wealth. For example, areas with power plants or other commercial property can easily raise more in local property taxes than those areas with blighted urban or minimal commercial properties. This is often the case even though areas with low commercial tax bases tax their residents at rates that are higher than those with industrial tax bases. Urban areas also tend to have more parcels of land that are tax exempt for economic development reasons.

The broad objectives of most school finance systems are to give every district an adequate level of funding, promote equity across districts in terms of revenues and tax effort, reimburse districts for high-cost programs (i.e., special education), and provide districts with the ability to generate supplemental revenue (Augenblick et al. 1990).

Because of the complexity of school finance systems many people do not understand their function and purpose. Formulas have multiple objectives and must address a variety of school districts with differing needs. These reasons alone sometimes make it easier politically for legislators to make incremental changes in existing systems.

Beginning in the 1960s, disparities in the per-pupil spending of school districts and the relationship between the wealth and spending of school districts were viewed by many as violating the equal protection clause of the U.S. Constitution. However, in a narrow 5-4 decision in 1973 the U.S. Supreme Court ruled that education is not a fundamental right and that district wealth is not a suspect classification *(Rodriquez v San Antonio)*.

After the failure of plaintiffs at the federal level, school finance cases have been moved to state courts since the mid-1970s. The plaintiffs claimed that disparities in spending and a relationship between wealth and spending, along with other conditions, violated both the equal protection clauses of the U.S. Constitution and the education clause of state constitutions. Depending on a court's interpretation of its state constitution, which

usually calls for education to be provided for in a "thorough," "efficient," "basic," or "uniform" manner, school finance systems may be found unconstitutional, and court-ordered reform will be mandated.

The historic case of *Serrano v. Priest* (1971) in California launched the modern era of education finance litigation. The California Supreme Court found that education was a "fundamental interest" under the California Constitution and, therefore, subject to the equal protection guarantees (Franklin and Hickrod 1990). The court ruled that the state must fund its public schools in a manner that was based on the wealth of the state rather than the wealth of the individual school districts. After the challenge in California and the numerous states that followed, two fundamental questions evolved for the courts to consider:

1) Is education a fundamental right mandated by the education clause of the state constitution?

2) How does the equal protection clause affect the education clause? (Franklin and Hickrod 1990)

Generally, the courts' role is to identify standards and determine whether or not a school finance system is constitutional, by virtue of meeting those standards. They usually point to the state legislature to revise the system and offer limited, if any, recommendations because state constitutions have explicitly charged the legislatures with this responsibility. The courts have not eliminated the use of the local property tax as a source of revenue for schools. Although the courts do not require raising existing taxes or creating new ones, they do tend to require that the new finance system be fully funded.

State aid to schools usually increases the level of state control, and local control over how much revenue can be generated usually decreases with court intervention. This can be significant in those states that have a long history of local autonomy or control. Some courts, however, have stated that school finance does not belong in the judicial branch of government and have dismissed cases, leaving the legislature or any group with enough signatures for a ballot initiative to deal with school finance problems.

In the past, four criteria emerge that illustrate what must be achieved in order to successfully challenge a state education funding system:

1. A state court must conclude that education is a fundamental right or interest guaranteed by a state constitution.

2. The education clause of the state constitution must require qualitative demands and affirm the duty of a state legislature to be responsible for education funding.

3. The strict scrutiny level of analysis must be used by the state court in applying the equal protection clause to the education clause.

4. The general funding system in the state, or at least in the plaintiff's school district, must be found to be inequitable, inadequate, or inefficient (Franklin and Hickrod 1990).

The third wave of litigation to reform school finance has generally superseded these questions and instead focuses directly on the wording of the state constitution, opening the door to more successful challenges (Verstegen 1993).

Policy Implications

Many of the court cases have been brought by coalitions of small, poor school districts. It is important to understand how this affects other areas of school finance. Because litigation is the major effort behind school finance reform, does it mean that it represents consensus among the general public? Who loses and who wins when a finance system is found to be unconstitutional?

California, for instance, is considered to have a fairly equitable system, but many people have felt that equity came at the expense of quality education. This indicates

that though some states may be able to achieve fiscal neutrality, they will need further improvements to satisfy the requirements of education clauses (La Morte 1989).

In developing a new system of school finance mandated by the courts, legislators must be very careful in the wording of the bill, particularly regarding implementation. Many of the wealthier districts may not like limits on the amount of money they can put into their schools. But if limits are not set, inequities will arise again. Some people are now trying to incorporate "adequacy" into their finance systems in order to determine what level of funding is adequate to meet the basic needs of operating a school. The question of adequacy has also been raised in pending lawsuits in Arizona, Louisiana, and Alabama and was at issue in Kentucky.

Typically, the wealthy districts in a state spend an average of three times more than the poor districts. Yet, the residents in some poor districts are paying a higher percentage of their income in school taxes.

In Kentucky, over $600 million in new taxes went to fund the major reform bill that addressed the Kentucky Supreme Court's declaration that the state's system of education finance was unconstitutional. The Kentucky General Assembly sought to achieve equity in per-pupil spending and improve the quality of public schools. However, it still maintained that the schools should have some local control. Kentucky's Education Reform Act passed in 1990.

It can safely be said that most people would like a decrease in local property taxes. It may also be true that they do not want the state to supplement the loss of revenue, especially if it means an increase in state taxes and a decrease in public input about the allocation of funds.

Businesses in some states have objected to an increase in state taxes because it means they may be less competitive with surrounding states. If the business community is a powerful lobby and opposed to tax increases, then changes in school finance will be difficult to obtain. Whether or not business will support an education tax increase is often difficult to determine. A coalition of business, civic, and education representatives is crucial in gaining support for both education reform and tax increases for education.

There are many ideas on how to solve school finance problems, which most states are facing. Proposals such as consolidating school districts, capping expenditures, or passing a constitutional amendment removing the court's jurisdiction have a tough time of winning legislative approval. Because many state legislators are committed to "no new taxes," achieving equity through a large infusion of state dollars is not always a viable solution. Even money previously committed to education may not be available if the state is facing a shortfall in revenues. State budgets also have competing programs that require increased revenues yearly, namely, corrections and Medicaid. The inability of a state legislature to successfully address these concerns has led to a trend for more ballot initiatives and referendums.

Policy Questions To Consider

The increasing involvement of the public in question of school finance raises questions that policymakers should consider, including the following:

- ❑ Depending on the situation, is it worse to keep the status quo, or to pass an initiative and then deal with its impact?
- ❑ Do the voters have enough information to vote on complex finance issues?
- ❑ Recognizing that education is approximately 50 percent of states' budgets (primary, secondary, and higher education), will other state agencies demand a constitutional guarantee to have a certain percentage of state general funds allocated to them?
- ❑ How much does public opinion count in education finance reform?

❑ When the public votes on education ballot initiatives, do they realize the full implications?

❑ Do school finance changes necessarily mean improvements in educational achievement or fiscal equity?

❑ What does public involvement in these issues mean for the future of school finance?

Some Conclusions

Although current trends in school finance are complex, it is possible to make some general statements about them:

❑ Lawmakers must thoroughly review their state's system.

❑ Courts may rule a finance system constitutional or not, but they generally will not advise legislatures on what actions should be taken.

❑ People will demand more outcomes or improved performance along with more funding.

❑ States may have to overhaul their system more than once. They may benefit from hiring experts to learn the long-term consequences of various alternatives.

Using the initiative process to obtain a constitutionally protected funding base for education avoids the deliberative and balancing process of representative government. It also limits the legislature's constitutional authority to maintain a "free," "uniform," or "thorough" public system of education because the decisions that should be made by legislative bodies often are decided at the voting booth. To attract voter support, ballot initiatives frequently must be stated in simple and boldly overstated terms. Such populist mechanisms seldom permit the careful crafting of legislation that can occur as a result of committee hearings, floor debates, lobbying, and compromise. A constitutional provision for educational funding raises the issue of whether other interests, such as health, criminal justice, environmental protection, transportation, social welfare, and others viewed also as a fundamental social undertaking, have their annual funding base secured by a constitutional provision.

2. CASE STUDIES

Synopsis of State Laws and Initiatives

State	Description of Initiative	Pass/Fail
California	Proposition 98 (1988) aimed to improve the overall quality of California public schools and community colleges. Requires that roughly 40 percent of the state budget be earmarked for K-14 education programs.	Passed
Nebraska	LB 1059, the Tax Equity and Educational Opportunities Act passed in 1990, provides greater state support for local schools by substituting state sales and income taxes for property taxes. The law changes school funding so that the state's share increases from 25 percent to 45 percent and the local share decreases from 70 percent to 50 percent.	Passed
Oklahoma	HB 1017, the Education Reform and Funding Act of 1990, a comprehensive bill that represents a long-term approach toward the state's responsibility to public education. Specific reforms include mandatory kindergarten, recruitment of minority teachers, and parental involvement incentives. The act totaled $230 million and was financed by a one-half cent increase in the state sales tax, a 1 percent increase in corporate taxes, and increases of 1 percent to 16 percent in personal income taxes with the wealthiest citizens bearing the highest burden.	Passed
Colorado	Amendment 6 ("Children First") a November 1992 ballot initiative, would have generated $329 million by increasing the sales tax by 1 percent. Children First also included a host of educational reforms and accountability measures.	Failed

Missouri	Proposition B, defeated in 1991, called for $385 million tax increase. This measure would have required greater accountability in education spending, including reports to taxpayers on student performance. It also would have established a special fund with additional tax revenues earmarked for educational reforms, including smaller classes, job training, student aid, and college improvements.	Failed
North Dakota	Measure 4, defeated in 1990, was a proposed 1 percent increase in the sales tax. Revenues were to be earmarked specifically for elementary, secondary, adult, and vocational education programs. The 1 percent sales tax hike would have resulted in a general sales tax rate of 6 percent. The proposal would have raised and estimated $42 million, which would have been used to restore education budget cuts made by the state, totaling $228 in cuts per pupil over the biennium.	Failed
Oregon	Measure 5 (1990) limits property tax rates and directs the legislature for five years to replace any revenue lost by the public school system with state money. Approximately 74 percent of the registered voters turned out for the election.	Passed

CALIFORNIA: PROPOSITION 98

No state has a history of the use of ballot initiatives to resolve public policy issues like California. The state's ballots are routinely the longest and most complicated in the country. The populist tradition of voter involvement continues to be strong in California, creating both excitement and serious problems.

Much of California's present education policy is the result of voter involvement. The fact that California presently finds itself in the midst of a serious education finance crisis, warrants the raising of questions about the effectiveness of setting education policy at the polls.

Background

Developing education finance policy in a state the size of California is extremely difficult. California has the largest and most diverse population in the nation. A majority of Californians are African-American, Asian-American, Native American, and Hispanic. Non-Latino Caucasians are a minority among elementary school students. Public school quality, as gauged by achievement test scores, and school funding both have declined over the past decade.

California is the 49th highest among the 50 states in student-teacher ratio. California ranks last in the number of pupils in average daily attendance (ADA) per teacher. In the 1988-89 school year, the ADA in public schools was 4,564,062 students.

California's per-pupil spending was about $569 per pupil, below the national average according to 1989-90 figures compiled by the National Center for Education Statistics. New York state spent $75,000 more per classroom than California. It is estimated that California's school enrollment levels will increase by at least 140,000 new students each year over the next decade. In addition, California faces the serious problems of an increasing number of children born into poverty each year, high dropout rates, delinquency, drug abuse, and teenage pregnancies.

The story of California's recent education finance turmoil begins in 1973, when the California Supreme Court declared the state funding formula unconstitutional in the historic *Serrano v. Priest* decision. The Court ruled that the state public school financing system violated the state constitution because it relied heavily upon unequal revenues from local property taxes to fund public elementary and secondary schools, resulting in substantial disparities in the quality of education among school districts. This local suit over school financing resulted in the state collecting school tax dollars and redistributing them to equalize spending among richer and poorer districts. Thus began an increasing state role in the control of state education finance. The case also set a precedent for other states to use "equal protection" as a basis for filing school finance lawsuits.

In 1978, California voters passed the infamous Proposition 13. This initiative limited property taxes to 1 percent of assessed value. Proposition 13 produced an immediate $7 billion loss in state revenue in the '78 - '79 fiscal year. Local jurisdictions became even more powerless in funding and making policy for public schools. Since education is heavily funded from property taxes, education suffered greatly from the passage of Proposition 13, both in financial terms and in a loss of local control.

In 1979, California voters passed Proposition 4, the Gann Amendment, which limited the amount of tax money governments can spend and requires a rebate of tax revenues to taxpayers in excess of that limit. The measure was in large part a response to the problems created by Proposition 13. However, the timing could not have been much worse for these two tax and spending limit initiatives. The 1980s brought a recession to the country forcing severe economic pressures on the states resulting in large state budget deficits and major spending cutbacks. States had a difficult time managing budgets without the additional restrictions of constitutional

amendments like propositions 13 and 4. The additional restrictions severely tied the hands of legislators to adjust to the recession pushing the California economy into further turmoil.

One analyst described the situation in this way: "Taken together, these two conditions place California in a budgetary straightjacket unmatched by any other state. On the one hand, there is the revenue limit clamp, characterized by Proposition 13, which effectively limits property taxes and the ability of local governments to raise their own revenue, and on the other hand, the appropriation limit clamp, or the Gann limit, which restricts the governments' ability to expand beyond a prescribed amount" (Odden, Guthrie, and Kirst 1990, 11).

Michael Kirst, an education professor at Stanford University's Washington, D.C., campus, was president of the California Board of Education in the years following Proposition 13 in 1978. In five years, Kirst saw California's national ranking in school spending drop from 15th to 30th while class sizes increased. The state took control of schools and redistributed the state and local dollars. Schools became more equal in per-pupil spending, but generally poorer in terms of total spending per district. Local residents were barred from raising money for schools outside the tax limit so that communities that wanted to enhance their schools by raising taxes could not do so.

In the late 1980s, the focus in California on education was on the high rate of growth in enrollment, student diversity, and the limited attention being given to the proposed reforms suggested in the mid-1980s. School advocates were frustrated, and despite a budget of $22 billion, school purchasing power was only at 1978 levels.

In 1987, approximately $1.1 billion was returned to taxpayers after lawmakers failed to agree before the June 30 budget deadline on a plan that would have increased school spending. Some observers believe that the bitter feelings resulting from this battle proved a significant factor in the drive for a new initiative.

As a response, several powerful California education groups developed Proposition 98, a constitutional and statutory initiative called "The School Funding for Instructional Improvement and Accountability Initiative," passed in November 1988. Its goal was to improve the overall quality of California's public schools and community colleges by preventing future budget cuts. With its passage, California became the first state to guarantee in its constitution that a specified portion of the state budget will be used for education.

Proposition 98 guaranteed a minimum amount of support for school districts and community colleges: either 39 percent of any new money generated by the state or an increase based on inflation and enrollment growth, whichever is greater. School districts and community colleges will receive at least the same percentage of general funds as they received in the previous fiscal year.

In exchange for this minimum funding guarantee, each school district must develop and implement a School Accountability Report Card for each school. Each school must make public a progress report on test scores, dropout rates, classroom discipline, class size, instructional materials, the quality of instruction, and school leadership. Finally, an emergency clause is built into Proposition 98 that allows the legislature, by a two-thirds vote in each house and the consent of the governor, to forgo increases based on average daily attendance and inflation in an emergency year.

Major Players Involved

Proposition 98 was sponsored by public education interest groups and many local school boards. The powerful California Teachers Association (CTA) led the effort to place Proposition 98 on the ballot. Guaranteeing minimum funding to one particular sector was clearly not a popular concept to interests in other sectors. Many of the state business groups, the University of California, the governor, and other state and local entities were opposed to the measure. Proposition 98 passed with a margin of less

than 1 percent, or 135,000 votes out of 8.7 million cast.

Proposition 98 was initiated by the president of the California Teachers Association and the California State PTA. The state superintendent of public instruction, Bill Honig, and the president of the Association of California School Administrators also supported the measure. Opinion polls suggested that the public was willing to spend more tax money if the money went to education. More than a million Californians signed the initiative to place it on the ballot.

Governor George Deukmejian, the chairman of the California Commission on Educational Quality, and the executive vice president of the California Taxpayers' Association all opposed Proposition 98. They argued that since 1982, California's public schools had received a 78 percent increase in funding, while student enrollment had risen only 14 percent. They also felt that funds for Proposition 98 would come only at the expense of other significant state activities and would not bring significant improvement in the schools.

Governor Deukmejian called the measure "highly irresponsible," arguing that it would have a significant effect on how the state deals with the huge number of other funding requests, making the process even more competitive. Superintendent Honig argued that approval of Proposition 98 would reveal a vote of confidence in the schools and would free them from the annual financial tug-of-war in the state budget-making process.

After Its Passage

The 1989 legislative session centered around the interpretation, requirements, and effects of Proposition 98. Implementation of Proposition 98 in its first year was critical for both sides. Even with the rather straightforward minimum guarantee, the debate was intense.

The legislature and the governor each submitted their budget proposals under Proposition 98 guidelines. Despite receiving their share of state funds guaranteed under the initiative, California schools had difficulties making ends meet under the new budget. Local educators actually received $19 less per student, after adjusting for inflation, under the governor's proposal. Without the initiative, however, the schools would be much worse off, and Superintendent Honig pledged to fight for bigger inflation allowances.

Another defect in Proposition 98 was the definition of the budget base on which the state guarantee is calculated. State legislators could find creative methods for decreasing the budget, by funding activities without necessarily putting them in the revenue base. Some revenues could be channeled directly to special funds, or property taxes could be shifted to local governments and replaced with state funds for schools. These moves would raise the percentage of general funds for education and fulfill the requirement in Proposition 98 without increasing the total amount of money for education.

The legislature was facing limited revenues and believed that if education received such a large share of the budget, many other areas of state operation, such as health care, welfare, prisons, transportation, courts, and higher education (aside from community colleges), would suffer substantial cuts. In addition, the costs of local government services were increasing, former Governor Deukmejian was conducting a campaign to inform the public that Proposition 13, the Gann limit, and Proposition 98 left the governor and the legislature with control of only 8 percent of the state's budget. These factors led to the passing of yet another initiative in 1989, Proposition 111.

Proposition 111, "The Traffic Congestion Relief and Spending Limitation Act of 1990," addressed three issues:

1) The inability of the Gann appropriations to sufficiently address public needs,

2) The inability of the state to finance and maintain the state's public transportation systems, and

3) The provisions in Proposition 98 that had the potential to support large increases in school funding at the expense of other government agencies.

Proposition 111 affected Proposition 98 in several ways: It changed the formula used for calculating the guaranteed minimum revenue for K-14 education; it placed a temporary ceiling on education's minimum funding guarantee; and it limited additional allocations. If Proposition 111 had not passed, the implementation of Proposition 98 would have had to be renegotiated because of severe economic budgetary constraints.

Governor Deukmejian, most of the legislature, the president of the California Taxpayers Association, and many professional and citizen groups active in Sacramento supported Proposition 111. The education community had difficulty supporting this measure, but eventually did because of the perceived long-term negative impact on K-14 education if Proposition 98 was not amended. Various groups in the education community concluded that the provisions in Proposition 111 would benefit many areas in the state, including education. The expansion of the Gann limit as well as validation of the current formula used in implementing Proposition 98 were seen as positive measures. The California Teachers Association opposed Proposition 111 initially, but gave its support after the governor made a commitment to roll a portion of any appropriations from excess funds into education's funding base in order to reduce class size.

In July 1991, Pete Wilson, the new governor, spared Proposition 98 when he signed a $55.7 billion budget. He had targeted it for suspension in an effort to close the budget gap. Passage of Proposition 111 kept Proposition 98 alive, but it came at the expense of funding for schools, as the state deficit increased to $14.3 billion and triggered automatic school aid reductions. Based on the deficit level, it was determined that schools had been over-allocated $1.2 billion during the last fiscal year. Still, state education department officials view the preservation of Proposition 98 as a benefit for schools in the long run. The initiative stipulates that the state must eventually reimburse districts for the full amount of cost-of-living increases that are deferred because of severe economic problems.

Policy Implications

The California case study raises two issues. The first concerns this extreme example of resolving education finance measures at the polls, and the second is the specific feature of Proposition 98, a constitutional guarantee of funding to education, as an issue amenable to a public campaign.

California is an excellent example of the chaos that can occur when too many school funding decisions are placed in the hands of the voters. California's heavy use of initiatives hampers state and local policymakers in many areas, not just education. There were many factors to explain California's current educational finance crisis, including incompatible initiatives, tough economic conditions, and voters' perception of legislative inaction. Still, the state illustrates well the problems that occur when new layers of policy, often contradictory and often incompatible, are created every other year. Confining policymaking to legislatures will not prevent these situations, but sudden and dramatic change is less likely to happen in legislatures than in statewide initiatives.

Because of Proposition 98, the legislature and governor in 1989-90 had to work with a fixed expenditure for education, in addition to already approved entitlements for other programs *and* a revenue shortfall. As a result, all services received dramatic cuts that would not have been necessary if revenue had materialized as expected.

School advocates in other states may be looking to see if a constitutional-guarantee strategy is appropriate for their states. Many

feel, however, that such measures are poor public policy and politics and they have negative consequences for education. Constitutional earmarking may not be a healthy approach, and populist-initiated earmarking may be an extremely poor answer.

Using the initiative process to obtain a constitutionally protected funding base for education circumvents representative government, but that is its purpose. To attract voter support, ballot initiatives frequently must be framed in simple and boldly overstated terms. Voters generally view ballot measures in simplistic and isolated terms. Populist mechanisms often do not reflect careful consideration of a measure's implications that ideally occurs in legislative committee hearings, floor debates, lobbying, and political compromise.

Education is a fundamental social undertaking, but some citizens feel that health, criminal justice, environmental protection, transportation, social welfare, and a host of other government services are also important. Should each of these interests also have its annual funding base secured by a constitutional provision? Would educators favor a public initiative to determine this question?

Proposition 98 opens the way for many political battles in the coming year in the Golden State. The measure excludes the state's two university systems from its protective umbrella, and higher-education leaders fear that Proposition 98 will intensify budget competition. Officials of county and municipal governments, which depend partly on the state for revenue, believe themselves to be disadvantaged by Proposition 98. Other service sectors feel they may be entitled to the same protections. In fact, several agencies are not considering lawsuits to challenge the constitutionality of Proposition 98. Some fear Proposition 98 will create a political nightmare and further budgetary chaos. But that situation may trigger an electoral undoing of the entire Proposition 13 and the Gann limit fiscal difficulties. And knowing the history of California's propositions, it probably will.

NEBRASKA: LB 1059

In the past, Nebraska has relied heavily on property taxes to finance its 838 school districts. In fact, Nebraska ranked next to last in the nation for state support of schools and was the second highest in the nation in local property taxes used for schools.

School districts with less property tax value must tax themselves at a higher rate to support the same level of spending per pupil. Because of this, some school districts spent twice the amount per student compared to neighboring schools, yet they levied lower taxes.

Nebraska ranked 32nd in estimated current expenditures for public schools in 1988-89 per $1,000 of personal income, according to the National Education Association.

In 1987, a statewide telephone survey of 547 households from 79 counties in Nebraska, conducted by the University of Nebraska, indicated that 73 percent of the respondents favored using property taxes to support K-12 education, but 57 percent said they would support a tax shift from local taxes to state sales and income taxes. Sixty-six percent said they would support an *increase* in sales and income taxes to support schools if the increase were tied to better school performance.

The FY 1987-88 state budget was $1.9 billion, and the allocation for the K-12 budget was $245.2 million, or approximately 13 percent of the total state budget. In 1987, state aid to schools increased by $10.7 million, or 9 percent, which restored funding to 1983 levels.

The School Finance Review Commission

In 1988, the Nebraska Legislature created the School Finance Review Commission. Its goal was to review thoroughly and objectively the funding for Nebraska's public school system. The commission was charged with examining whether personal income should play a larger role in school finance, thus reducing the burden on property tax for school support, and whether the quality and performance of schools should be considerations for school finance.

The governor appointed representatives from a cross-section of school districts to serve on the commission. The commission also included members of the general public; representatives from higher education, the governor, the commissioner of education, and members of the legislature. The commission held more than 20 public meetings and five public hearings where expert testimony was heard.

The commission found that the resistance to greater equalization of fiscal support for schools was closely tied to the inability of Nebraska policymakers to reach consensus on what constitutes "wealth" in terms of school district resources and in terms of taxpayers' ability to pay for educational services. The commission felt that this obstacle needed to be removed in order to gain widespread public support for a greater state role in school funding and believed that growth in the school district budget had to be restrained.

LB 611 and LB 1059: School Finance Reform

Some of the commission's preliminary recommendations were incorporated into LB 611, which was passed by the legislature in 1989. LB 611 provided for the current system of state school aid to expire in July 1991 and stated the legislature's intent to replace it with a more equitable system, including a greater state share for financing schools. It also stated the legislative intent to use income as a measure of wealth. In 1989 Governor Kay Orr allowed LB 611 to become law without her signature.

To replace the school finance system that LB 611 had set to expire, the legislature passed the Tax Equity and Educational Opportunities Support Act, LB 1059, during the 1990 session, overriding Governor Orr's veto by a vote of 32 to 16. LB 1059 reflected

the recommendations of the School Finance Review Commission.

The bill, sponsored by Education Committee Chair Ron Withem, provided greater state support for local schools by substituting state sales and income taxes for property taxes. The law changes school funding so that the state's share increases from 25 percent to 45 percent, and the local share decreases from 70 percent to 50 percent. LB 1059 limits growth in school budgets and property tax requests of other local governments in order to guarantee property tax reductions. The increased state funds are intended to equalize educational opportunities for all students in the state.

LB 1059 provided $83.3 million in income tax rebate aid to school districts for the 1990-91 school year, $229.1 million in equalization for 1990-91, and a $178.8 million increase in total state aid to replace the revenue previously generated by property taxes.

The bill included a measure to reduce property taxes by imposing ceilings of 4 percent to 6.5 percent on the allowable annual growth of school districts' general fund expenditures, as well as the revenue budgets of other local entities supported by such levies. It also attempted to correct inequities in the state's property tax-based school finance system by raising the sales tax 25 percent, from 4 cents to 5 cents, and raising the income tax 17.5 percent, effective July 1990. At the time, Nebraska paid less than 25 percent of local school operating costs, which was the second smallest state share in the nation.

Senator Howard Lamb argued against the bill during floor debate. He said the bill was not fair to many taxpayers in the state, because those who already were spending a large percentage of their income on property taxes received no relief under the bill.

Opponents of LB 1059, including the governor and a group called Nebraskans Against Higher Taxes (NAHT), argued that it was a tax increase, that it did not guarantee property tax relief, and that it would not achieve educational equity. They put up 70 billboards around the state that read "Stop Higher Taxes" and used television, radio, and newspaper advertisements.

When the legislature overrode the governor's veto, Governor Orr said that she was disappointed for the taxpayers of the state, but that she was willing to help the senators work out the errors she felt were in the law. However, Governor Orr lost the 1990 election to Ben Nelson.

Supporters of the bill said it was a tax shift, not a tax increase. They said the law would increase state aid in order to reduce the property tax burden and would end up creating a savings of $13 million.

Supporters also argued that without LB 1059, a constitutional crisis could result from *Gould v. Orr*, a pending lawsuit claiming the school finance system was unconstitutional. The commission and the legislature believed it was better to be proactive, rather than wait and see if the court would decide to throw out the current funding formula.

The Nebraska State Education Association, the Nebraska Council of School Administrators, and the Nebraska Association of School Boards supported LB 1059. But the measure was opposed by several business groups because they felt that the changes in tax rates would make Nebraska less economically competitive with surrounding states, particularly Iowa.

Businesses, such as Mutual of Omaha Insurance Inc. and ConAgra Inc., were pitted against educators and land-owning interests represented by such groups as the Nebraska Realtors' Association and the Nebraska Cattlemen's Association. As a result, in 1990 enough signatures were collected to put LB 1059 on the ballot for repeal. However, the repeal attempt failed by a vote of 313,215 to 244,741. LB 1059 survived again.

The Court Case: Gould v. Orr

A suit against the governor filed by two Raymond Central School District residents,

John and Don Gould, claimed that Nebraska's school finance system (prior to the enactment of LB 1059) led to disproportionate spending on students and unequal opportunities for education. Late in December 1990, Lancaster County District Judge Earl H. Witthoff ruled in *Gould v. Orr*, that Nebraska's constitution does *not* guarantee equal education to every public school student. Judge Witthoff ruled that the Nebraska Constitution "does not create a 'fundamental right' requiring the legislature to establish a system of financing free public school instruction based on either absolute or relative equality in per-pupil expenditures in each school district in the state." In addition, he said, the uniformity clause does not require tax levies to be comparable from one district to another. The judge also declared that the recent passage of LB 1059 made the Goulds' case "obsolete and inapplicable," noting "it is inevitable that implementation of LB 1059 will undeniably alter the landscape in the area of public school finance to a significant degree." He dismissed the case. The case was appealed and will go to the Nebraska Supreme Court.

Because the lawsuit was still pending during the debate over LB 1059, the court case had the effect of increasing support for LB 1059. Many people felt that a constitutional crisis would erupt if LB 1059 did not pass. If the court mandated complete reform of the finance system, it would not give the legislature enough time to come up with an equitable system, and many schools might lose funding during the process.

Dealing with the Changes of LB 1059

Following the 1990 election, the newly elected governor, Ben Nelson, had a state budget for FY 1992-93 of $3.1 billion, with $960 million allocated for K-12 education, a 41 percent increase from the previous year. His budget raised the state share of education funding to 43 percent.

OKLAHOMA: HB 1017

HB 1017, Oklahoma's $230 million Education Reform and Funding Act of 1990, sets out a number of new regulations, programs, and initiatives aimed at increasing educational quality and provides the means to finance them. It is an extensive and complicated bill that represents a long-term approach toward the state's responsibility to public education.

The legislature approved tax increases to pay for the improvements: a one-half cent increase in state sales tax, a 1 percent increase in corporate taxes, and increases in personal income taxes from 1 to 16 percent with the wealthiest citizens bearing the highest burden. The bill also creates a special account within the state budget to ensure that these revenues will not be diverted to highways, prisons, and other competing state services.

These tax increases prompted a group of citizens to work toward a repeal of this legislation soon after its passage. The resulting initiative ignited a heated debate throughout the state regarding the need for education reform, new education dollars and the prerogative of the legislature to raise taxes without voter approval.

This case study will examine the origins of HB 1017, the repeal attempt, and the response of Oklahomans to this controversial scenario.

Background

In 1989, Oklahoma's Governor Bellmon appointed a panel of citizens to Task Force 2000, a group commissioned to develop a plan to improve schools in the state. The task force released its report, "A Blueprint for Excellence," in November of that year, and it was used as the basis for the development of House Bill 1017.

Passage of the bill was controversial, not so much because of what it contained, but because it passed in the Senate by the two-thirds majority required to qualify it as an emergency measure. This was key to its potential success: An emergency bill goes directly to the governor for signature (rather than being subject to a vote on whether it becomes law), and is implemented immediately (rather than being delayed 90 days).

Senate Democrats worked hard to secure the one republican vote they needed to gain this majority, but they didn't work alone. Teachers launched a statewide strike, and educators, school administrators, parents and students--close to 5,000 in all--demonstrated on the steps of the capitol hoping to influence lawmakers into voting for the emergency clause.

Oklahoma's leaders took this tactic knowing that Oklahoma was no stranger to tax rebellion, including conflicts over education property tax issues. In 1987, a group of citizens from property-poor school districts filed suit against the state asserting that the state's school finance formula was unconstitutional. They claimed that the distribution of funds was unequal because of its reliance on property taxes and the formula's inability to compensate fully for spending disparities among districts. The court, however, ruled in favor of the state.

Still, state and local taxes in Oklahoma were relatively low (ranked 43rd in 1986 on a U.S. Advisory Commission on Intergovernmental Relations' Tax Effort Index, and 46th for all property taxes collected). So was school spending. The average per-pupil expenditure (1989-90) was $3,512, and the average teacher's salary was $24,484. This placed Oklahoma 44th and 46th in those categories, respectively. Therefore, many lawmakers felt it would be reasonable to increase both taxation and spending for public schools.

Despite these lagging figures, Oklahoma's students ranked 22nd in state comparisons of college entrance scores--a statistic not often quoted by proponents of reform but used as an argument by opponents who felt schools could be successful without new money.

In April 1990, HB 1017 was passed as an emergency measure and signed into law. The reforms and increased funding were scheduled to go into effect the coming school year. Immediately after its passage, a group of citizens circulated an initiative petition to repeal the law.

Major Players Involved

The group opposing HB 1017 was known as "STOP" (Stop Taxing Our People). STOP was made up of citizens who believed that government spending was out of control and that schools could improve without additional tax dollars. The group's main supporters were private citizens, small businesses, and the *Daily Oklahoman* newspaper and its publisher. The *Oklahoman* and its publisher contributed money to the campaign and, later, printed an editorial encouraging readers to vote yes on the repeal amendment.

Defending the reform measure was a group called Growth Oklahoma (GO). These citizens believed that the reforms spelled out in HB 1017 (i.e., smaller class size, full-day kindergarten, higher teacher's salaries) would vastly improve public education and that the tax increases were a necessary accompaniment to these measures. Supporters of GO included the Tulsa Chamber of Commerce, Southwestern Bell Telephone of Oklahoma City, and Phillips Petroleum Co. The education community also contributed financially to GO. The Oklahoma Education Association, Oklahoma State School Boards Association, and the Tulsa Classroom Teachers Association all donated funds to support HB 1017.

In addition, the reform legislation had the backing of the governor, lieutenant governor, state auditor, and state superintendent of schools, as well as a majority of the legislature and school employees.

STOP gathered enough signatures to place a question calling for the repeal of 1017 on the ballot in November 1990. GO challenged the legality of the petitions, and the ensuing court proceedings took months. By the time the state supreme court found the petitions legal and okayed the ballot measure, it was too late to make the November election, and the vote was postponed until October 1991.

The Vote

Delaying the vote an entire year was a serious setback for opponents of HB 1017. Since emergency legislation was subject to immediate implementation, schools were receiving increased staffing, funds, and programs during the interim. Not only were people getting used to having these add-ons at the school site, but money was being spent that would have to be replaced if the law were repealed. These factors weighed heavily in favor of those supporting the legislation.

STOP's organizers considered GO's lawsuit to be part of a delaying strategy meant to put off the election. Proponents of 1017 denied planning the maneuver, saying they seriously doubted the legitimacy of the repeal petition.

Additionally, the court battles over the repeal diminished the amount of money opponents could spend on their campaign. Already outspent by GO ($250,000 vs. $940,000), STOP found itself very short of funds as the election approached. Financial reports indicated that, two weeks before the election, STOP's budget was down to $12,000 while GO was moving forward with $335,000 remaining on their books.

In October 1991, voters retained HB 1017. This victory for reform proponents is not surprising considering the support, both financial and political, for the reform bill.

A final count of 54 percent against repeal and 46 percent for repeal actually comments on the strength of the repeal position. With almost four times the money, government and educational backing, a court challenge, and an election delay, one might have expected 1017 supporters to win by a greater margin.

Looking at the results of the vote, a few explanations can be posed for this outcome. For instance, under the new law, 14 of the state's 588 districts received 46 percent of all new money. Therefore, some of the state's smaller districts found the reforms expensive, and, while the law includes incentives for consolidation that would ease this financial burden, certain districts appreciated the community involvement and control that comes with having a low student population. Citizens in these areas probably voted for repeal.

University towns and business centers voted for the legislation, while communities with strong military and agricultural ties leaned toward repeal. For instance, the University of Oklahoma is located in the city of Norman. Norman's Cleveland County voted against the repeal amendment, as did Tulsa (home of University of Tulsa, McDonnell Douglas Corp., and Rockwell International). Phillips Petroleum, contributors to GO's campaign, is centered in Washington County, which voted almost 2 to 1 against the repeal.

Much of the state's Fourth District, including the counties of Grady, Comanche, Jackson, and Stephens, voted in favor of repeal. Here, military bases (Altus Air Force Base, Fort Sill, and Tinker Air Force Base) and agriculture (cotton and wheat) are dominant industries.

Evaluation of the voting patterns also finds that political parties played a major role in election results. The state's fifth and sixth districts are Republican-leaning, and many of their counties voted for repeal. In contrast, solidly democratic District 2 backed 1017 by a wide margin.

Policy Implications

Lawmakers could have passed HB 1017 without the emergency clause, leaving its passage open to public vote. This would have left the complex bill open to dissection by the public. Legislators were concerned that a partial package might have been passed that would not have been effective. For instance, voters might have chosen to pass the reforms without the tax increases, which would have placed a huge financial burden on local districts.

Also, the immediate implementation of the law brought on by the emergency clause helped 1017 survive. A delay in implementation would have given opponents time to launch an attack before communities received additional school services.

The fact that the repeal gained the support of 46 percent of the voters should serve as a warning to lawmakers that tax increases are frowned upon. Gaining widespread support for further increases, at least in the immediate future, seems unlikely.

HB 1017 was signed by Governor David Walters, elected in November 1990 amid the controversy surrounding the bill. His 1991 budget was the largest in the state's history, at $3.3 billion. Public education received a third of this, or $1.3 billion ($90 million more than the previous year). Most of this increase went to new reforms, though he cut $50 million in teacher pay raises provided for in 1017. This move was strongly opposed by legislators and educators, who felt that increased pay for teachers was an integral part of the reform package. Walters will be in a tough position if teacher advocates push for pay increases while many citizens are revolting against higher taxes.

COLORADO: AMENDMENT 6

It was in May 1992 while addressing the Colorado Education Association's annual convention that Governor Roy Romer exclaimed, "This initiative is the equivalent of the last train out of Paris," referring to refugees who fled the invading Nazis in 1940. Thus, began an attempt on the governor's part to build a coalition to support a ballot initiative in November 1992, asking voters to approve a $320 million sales tax increase in return for a promise of better schools. The request for public support for a sales tax increase came when Romer waged the campaign for "Children First" (Amendment 6) after becoming disgruntled with the legislature's inability to make up the school finance deficit resulting from provisions in the School Finance Act of 1988. Although the defeat of Amendment 6 might be considered a mild blow to the governor, speculation is that the public school children of Colorado will feel the brunt of the election results.

Like a modern day Paul Revere, the governor traveled around Colorado exclaiming to parents and educators that it would be disastrous for schools if the tax increase was not approved because the legislature had demonstrated its unwillingness to raise taxes to close the finance gap, which stood at $168 million at the beginning of the 1992 legislative session. He estimated that defeat of Amendment 6 would mean a 12 percent cut for most school districts. The initiative have restored funding only to current levels, not raised the level of support. Romer needed 49,279 signatures to get the Children First initiative on the ballot, and with an army of volunteers that included teachers, parents, and students, he had no problem exceeding the required amount: 147,197 signatures were submitted to the secretary of state.

The amendment would have imposed mandatory high standards in basic subjects with a program that guaranteed that the graduate had met the new standards; given parents, teachers, business leaders, and students more power in running their schools; reduced class size for prekindergarten through third grade; extended the school day and school year for students needing additional help; required annual reports to taxpayers outlining how tax dollars had been spent in every district; encouraged quality preschool programs for all four-year-olds; overhauled pay scales to reward performance in addition to length of service and educational degrees; set aside a $50 million "incentive and innovation fund" for individual schools; and, finally, repealed all laws and regulations that keep students from attaining high standards. The amendment was defeated by a 12-point margin with supporters making up 44 percent to opponents' 56 percent. Had voters approved the ballot initiative, the state portion of the sales tax would have increased from 3 percent to 4 percent beginning December 1, 1992, costing a family of four approximately $101 a year in additional taxes.

Coloradans faced a plethora of amendments on the November ballot, and three of them dealt with education. Competing with Amendment 6 was Amendment 7, "The Colorado Voucher," which would have given parents vouchers valued at 50 percent of the average per-pupil expenditure in their children's district or an average of $2,500 statewide to send their children to public, private, or parochial schools. The measure was defeated 2-1. Amendment 1, the "Taxpayers' Bill of Rights," conflicted with both. It required voter approval of any new tax change that would increase revenue and limited school district spending to the rate of inflation plus the percentage change in student enrollment. This amendment passed by eight percentage points.

As a result of these votes, many school districts in areas of declining property values nervously await new budget projections. The Leadville school district, for example, faces significant repercussions from the vote. In a *Denver Post* article, staff writer Mark Stevens researched possible implications of the vote. Lake County R-1 schools will have to cut $900,000 from the school district's $4.8 million budget. In anticipation of this task, district officials have examined some ideas for cuts. Cutting all administrators would save $394,913. Eliminating transportation would

save $121,500. Dropping all athletics would save another $146,800. After these severe cuts, the budget would still be $236,787 short of the $900,000 total.

It is important to note that the district has been streamlining staff for several years because of the county's shrinking property tax base. The district now has 131 employees when it once had 217. Some teachers with as much as 15 years of experience have been let go. Elementary students are taught music three days a week instead of five. And one librarian manages three libraries.

Erosion of Lake County's property tax base complicates available revenues for the district. Stevens noted that the assessed valuation has plummeted over the last 12 years. By far the highest-paying corporate entity is the Climax molybdenum mine, which once employed more than 3,000 workers. At its peak of production in the early '80s, Climax helped push the county's assessed valuation over $250 million. Today the miners total fewer than 100, and assessed valuation has declined significantly to $46 million. The bad news for Leadville schools does not end here. The district owes the county $150,000 as part of a tax settlement with the mine.

Options appear to be limited to personnel and program cuts. District officials though pessimistic hold hope that the legislature may mitigate the impact of Amendment 1's passage and Amendment 6's defeat, but Leadville Superintendent Jim McCabe said, "They've pretty well said no to us for four years now."

Because the sales-tax initiative did not pass, educators face a $329 million hole in the budget for the fiscal year beginning July 1, 1993. Additionally, public schools face at least a 9 percent drop in spending per pupil, according to Charlie Brown, director of the Colorado Legislative Council. Competing with this view are statements made by members in the legislative leadership and Paul Turpin, former senior consultant on school finance to the Colorado Department of Education, who in referring to Children First, said, "This tax is wholly misrepresented, because it has a hidden function. Its alleged goal is to make up deficits in the state general fund. But the money is there, it simply isn't being apportioned by the legislature in the amounts that the governor and the educational lobby want. What Romer intends to do is force the legislature to put more money in school budgets."

The governor's Office of State Planning and Budgeting reported in September that total tax collections were running between $150 million and $285 million above projections, thanks to a state economy that has performed above the national average the last few years. The governor, who was the state treasurer before being elected governor, disputed those figures and moved ahead with building support for the Children First initiative.

Background

In 1989-90, the state average per pupil expenditure was $4,720, and Colorado ranked 23rd highest among the 50 states. The national average was $4,960. The average teacher salary in 1991 was $32,020, and the national average was $33,015 (Quitno 1992). Colorado had low state taxes (under $7.02 per $100 of personal income) and high local taxes (over $4.44 per $100 of personal income). The state share of all school revenue was 37.9 percent. Finally, total enrollment in prekindergarten through grade 12 in the 1990-91 school year was 568,673, with a pupil/teacher ratio of 17.4. Revenues (in thousands) in that same year were $2,533,600. There are 176 school districts in Colorado, ranging in size from Edison School District in El Paso County, with only 32 students, to Jefferson County School District, with 72,453. For all 176 school districts combined, about 52 percent of school funds goes to classroom instruction, mostly salaries. The remaining 48 percent pays for administration and other support services, according to the nonpartisan Colorado Public Expenditure Council.

In *Lujan v. Colorado State Board of Education* (1982), the Colorado Supreme Court explored two issues in reaching its decision that the state's school finance system is

constitutional: whether the state's school finance system denied plaintiffs a fundamental right and whether the finance system satisfied the state's constitutional requirement to provide a "thorough and uniform" system of public schools. the court found the finance system constitutional in both issues because it ruled that the education article merely mandated action by the legislature to establish schools. The constitution did not require it to establish a centralized school system with equal expenditures per pupil or equal services and facilities throughout the state. The court stated that the decision as to the "best public policy" was a matter for the legislature to decide and that judicial interference in formulating policy should be avoided.

According to reporter Mike McGrath of *Westword*, to start untangling the school finance mess, you have to go back to 1877, the year the framers of the state's constitution encumbered it with two seemingly contradictory principles. The first, set forth in Article 9, Section 2, charges the legislature "to establish and maintain a thorough and uniform system of free public education." The second, enumerated in Article 9, Section 15, warns the legislature that "control of instruction shall be vested in the local board of education." How to ensure uniformity in a system that places equal value on local control is a question Colorado legislators have been wrestling with for the past 115 years.

In 1988, the Colorado General Assembly adopted a new Public School Finance Act, replacing the previous act, which was approved in 1973. The act was designed with two major goals:

1) Equalize spending per pupil across the state

2) Reduce dependence on the property tax as a funding source

The need to reduce the variance in per-pupil expenditures was long overdue because some districts, such as Aspen, have such high property values that they can afford to fund nearly two-thirds of their school program with local revenues. Other districts, like Sanford in rural Conejos County, have such low real estate values that three-fourths of their funding comes from the state. In 1989 Aspen spent about $9,134 per pupil, while Sanford spent only $4,503. The current school finance law was designed to even out such inequities.

The act calls for a 15.6 percent increase in education funding in 1992, which the state is having trouble funding. Two factors continue to cause problems for the legislature in trying to address the funding problem. One is that revenues continue to come in below projection even though the state has experienced an increase in population. In 1991, after a six-year exodus of people from the state, there was a net increase of 34,394 people (State Demographic Office); however, this has not brought in an increase in state general fund revenues.

The second problem for school funding is that school enrollment has grown sharply since 1990, when there was a small increase of 2,000 students. In 1991, 12,000 additional students enrolled, and in 1992 enrollment jumped by 18,000. The addition of new students for the 1993-94 school year will add $73 million to the cost of school funding.

The state established a statewide mill levy in its attempt to reduce property tax dependence. Provisions in the School Finance Act of 1988 required that all school districts levy the same property tax rate, so that all taxpayers statewide would make the same contribution to school district support. The goal was to ensure equity for taxpayers as well as for school children. In order to achieve this goal, each school district receives in state aid the difference between what they raise in local property taxes and what they are allowed to spend, determined by which one of eight "setting categories" they reside in. The act divided school districts into setting categories including "Core City," that is, Denver; "Metro Denver," which includes Jefferson County, Boulder Valley and other metro districts; "Urban/Suburban," for smaller cities and Denver suburbs; "Recreational," for tourist and ski area towns like Vail and Aspen; and "Rural," encompassing a number of small, property

tax-poor towns like Sanford in Conejos County.

The last 25 years in Denver, according to school district critics, have seen a lack of leadership by the state board of education, court-ordered busing, labor problems, and decreasing public confidence in the schools. The student population, which dropped from 90,000 to 60,000, was formerly predominantly white and middle class; it now has a much larger minority population from lower income brackets. Thus, Denver has experienced the same effects of desegregation as many other inner cities throughout the nation: white flight and increasing numbers of minority children left in the public school system.

Governor Romer has played an active role in the state's education activities. Intervening in a heated teachers' contract dispute in Denver that appeared to be headed for a strike, he invoked an obscure 1915 state labor law that gave the state the authority to impose a settlement in cases affecting the public interest. The governor has also been involved in national efforts to reform education. As the first chairman of the National Education Goals Panel, he worked with Governor Carroll Campbell of South Carolina to establish a yearly report that will measure the nation's progress in reaching the education goals framed by President Bush and the governors at the 1989 Education Summit in Charlottesville, Virginia.

In 1991 the governor began an education reform effort by establishing collaborative decision-making committees (CDM) in each of Denver's 114 schools. After attending numerous meetings with teachers, the board of education, and district officials, the governor unveiled a new contract in March 1992 that included the CDM concept of school site-based management. Each CDM is made up of the school principal, teachers and other staff, parents, a business/community representative and two students.

Though the public has generally embraced the site-based management process, or the CDM committees, there is a perception that many CDMs are dealing with a school board that is blocking substantial progress. State board members and Denver school district administrators disliked the manner in which the CDM model was imposed on them. Accordingly, they have been slow to yield power and authority to the new entities arising across the city. School board president Dorothy Gotlieb publicly states that she supports collaborative decision making, but privately she calls it "a process without a product." As for criticism that the board is resisting decentralization, she says, "Schools want more freedom, but you can't have freedom without traffic lights."

Superintendent Evie Dennis flatly rejects the charge that her administration hasn't shown support for the reform movement. During an April meeting with journalists, Dennis had nothing positive to say about the reform process. Valid criticism of the CDM committees was also leveled by Dennis and board member Sharon Bailey because many are not racially diverse in membership, although the district's own figures show that 507 of the CDM committee's 1,100 members are minorities.

Major Players Involved

A governor who is an active supporter of education and the need to increase expenditures, a legislature that has been unwilling to raise taxes since passage of the School Finance Act of 1988, and a general frustration among the taxpayers that the legislature is causing schools to make large cuts in education spending ensure that the school finance quagmire will continue into the upcoming legislative session and well beyond.

The Colorado Education Association (CEA), as the local umbrella organization for local teachers' unions throughout the state, is viewed by capitol observers as one of the state's most powerful lobbying groups. Though continuing budget constraints will make increases for teacher salaries difficult to obtain in 1993 and beyond, during the Children First campaign Governor Romer said that teachers cannot expect funding increases without reform. This makes it more

likely that the 28,000-member union will play a prominent role in the upcoming legislative session. The majority of attendees at the CEA annual convention supported Amendment 6 reforms by a 2-1 show of hands; those who did not show support indicated that many teachers had misgivings about some of the reforms, especially a lack of specifics on measures such as statewide high-school graduation standards; remediation until age 21 for those who can't meet the standards; preschool for the state's most troubled four-year-olds; regular, uniform, statewide achievement tests in the lower grades; and a team of parents, teachers, and community members at each school to make major decisions, including a plan to reward excellent teachers.

· Colorado educators are hesitant over the promises to decrease class size, create comprehensive preschools, and give pay incentives to teachers because they feel it would use up most of any new monies. Many noted that they did not want a plan as prescriptive as the one in Denver (site-based decision making), but felt that Romer's plan was courageous and better than depending on a deadlocked legislature.

Some voters objected to the fact that most of the $168 million needed to fund the school finance act next year (1993) was going to projected teacher salary increases. Lawmakers will not have to answer to an angry electorate this fall for approving a major tax increase, but they may face an angry education community for not approving one. Nonetheless, the same issues that have faced them since 1991 awaited their arrival in Denver for the current session.

Many voters felt anger at the Colorado General Assembly for not finding a way to adequately bankroll schools and then handing the school finance issue to voters. This happened because, after convening 120 days (the constitutional limit), the General Assembly found themselves deadlocked on the last day of the 1992 session, still with no new plan.

Policy Implications

The choices voters made in November left the immediate future for K-12 education in a precarious state. Though it is acknowledged that a sound strategy must be found to secure school finance funding, the passage of Amendment 1, which limited government's ability to increase taxes unless approved by the voters, and the defeat of Amendment 6, which would have closed the finance deficit for the time being with a one-cent increase in the sales tax, have left policymakers in a fiscal straightjacket.

In assessing why voters made these decisions, consider the following. Had the one cent sales tax increase passed, Denver's tax would have risen to 8.3 percent, the second highest in the United States (after New Orleans). However, in some areas of Colorado it would have gone even higher because of local sales taxes. For example, in the ski resort town of Winter Park, the total tax, state and local, would be a staggering 10.2 percent. For this reason, many merchants feared that customers, including tourists and shoppers for large items, would buy out of state. Many mayors saw the sales tax initiative as a raid on city sales tax revenues. The Colorado Municipal League and most town managers took issue with Amendment 6 because a portion of sales taxes are traditionally reserved for municipalities.

Chris Paulson, a former legislator and majority leader in the Colorado General Assembly who heads Coloradoans Opposed to Sales Tax, stated prior to the election, "This is simply the wrong tax at the wrong time." The public vote indicates that he was right, but what the vote meant specifically is not clear.

The legislature now faces uncertainty concerning the options available to address problems in K-12 education funding. It is unfortunate that the body could not come to some agreement before the passage of Amendment 1, because lawmakers' ability to generate additional revenue has been curtailed significantly. A likely option might be an increase in the individual income tax, currently a flat 5 percent. What is becoming

less of an option is the one that has been pursued the last four years, which has been to do nothing, somehow hoping the problems with growing enrollments, below projected revenues, and increasing school finance deficits will magically disappear. By allowing the people to decide, the legislature has made its constitutionally mandated responsibility "to establish and maintain a thorough and uniform system of free public schools" that much harder.

MISSOURI: PROPOSITION B

In November 1991, Missouri voters overwhelmingly defeated a $385 million tax increase for education. Called Proposition B, this measure was supported by the governor, legislative leaders, and the education administration. It called for greater accountability in education spending (including reports to taxpayers on school performance), earmarked tax revenues for a wide range of education reforms, and provided $190 million for improvements in higher education.

Implementation of Proposition B would have spread the tax increases over all segments of the population. Corporate, tobacco, and sales taxes would have been raised. The measure eliminated some deductions for upper-income taxpayers, while providing tax relief for families with dependents.

The following case study analyzes why government and administrative support, the promise of educational improvements, and a well-compromised package of tax increases did not result in a successful campaign.

Background

In 1991, schools in Missouri appeared ripe for reform. The state had consistently placed below average in education statistical rankings. For instance, in the 1987-88 school year, the average per-pupil expenditure in Missouri was $3,566, 35th in the nation. (This number rose to $5,351 in 1990-91, earning the state a ranking of 26th). The average teacher salary was $ 24,703, 30th in the United States (with $28,031 the national average), and Missouri's 16:1 pupil-teacher ratio ranked 32nd. (Missouri's teacher salary rank lowered to 36th, with an average salary of $27,636 in 1989-90).

Missouri collects relatively high state taxes, yet pays just 44.4 percent of total education costs. Nationally, states contribute an average of 50 percent of total expenditures for education. Additionally, statistics compiled by the National Education Association ranked Missouri 44th in expenditures for public elementary and secondary schools in 1988-89 per $1,000 of personal income. The president of the Missouri National Education Association said that "these figures demonstrate that Missouri could afford to spend far more on schools and that education is not as high a priority as it needs to be."

Yet, not everyone in the state agrees with that assessment. An article in the Kansas City *Star* points out that financial statistics alone aren't conclusive. Apparently, high school students in Missouri perform above national norms on some achievement measures despite low spending levels. In short, the debate surrounding the relationship between increased spending and improved learning helped set the stage for Proposition B.

Missouri's spending on higher education is also below average, despite consistent increases. The state ranked 38th in state spending per student in higher education in 1988, up from 46th in 1985. In 1989, higher education officials used the state's nationally acclaimed assessment program to accentuate the successes of Missouri's system in an attempt to convince the governor that the system needed more money. However, this did not persuade Governor Ashcroft, the Missouri General Assembly, or the public to increase taxes for higher education. In 1990, Governor Ashcroft proposed a $666.6 million budget for higher education in 1990 that provided institutions with a cumulative five-year increase of 58 percent.

College officials were still concerned. Since 1984, they had eliminated 229 academic programs from public four-year institutions and had reallocated the $36 million in savings to higher-priority programs. A 1989 U.S. Supreme Court ruling requiring the state to refund taxes to some federal retirees threatened to decrease the higher education budget by as much as $45 million. And, although college leaders claimed that the budget erosion of previous years would not be corrected by the governor's proposed budget, Ashcroft opposed any levy except his

own $55 million tobacco-tax proposal. Under state law, any major tax increase had to be approved by the voters. Therefore, the governor's lack of support made an additional tax increase for higher education politically impractical.

Meanwhile, elementary and secondary school finance was facing its own challenges. In November 1990, the Committee for Educational Equity, representing 75 school districts, mostly in rural, southern Missouri, filed suit against the state. The committee claimed that the present system, which is property tax-based, was unconstitutional because it resulted in unequal spending between districts: Per-pupil spending in the state ranged from $2,138 to $7,411 per year. The state's method of financing public schools had not been changed since the mid-1970s, and efforts to revamp the financing plan in the legislature's 1990 session failed, mainly because many of the state's wealthier school districts would lose state aid. The lawsuit also claimed the state was failing to provide 25 percent of state revenue for public schools, which is a constitutional requirement.

This lawsuit greatly affected the outcome of the Proposition B vote. Since the package failed to change the state's finance formula, voters were being asked to approve the tax increase without knowing how their own districts would be affected.

At the time of the vote on Proposition B, economics drove the issues for citizens and educators. Most public schools in Missouri were having difficulty with money and budgets. Many school administrators had cut programs and extracurricular activities, promoted tax levy increases, and even fired teachers and other school personnel. Yet, the recession made it difficult for many Missourians to voluntarily take on an increased tax burden, and the questions about the finance formula remained.

Major Players Involved

Governor John Ashcroft supported the increases laid out in Proposition B because the measure contained several reform proposals he had sought, including a requirement that colleges and universities redefine their roles and programs and assess what students have learned.

Missourians were looking toward a gubernatorial election in '92, and four of the five future candidates, a mixture of Democrats and Republicans, supported higher taxes for education. Although this support was significant (the state's politicians tend to shy away from tax increases), none of the candidates viewed this tax plan as an ideal solution for the public schools and colleges.

Many school administrators and superintendents supported Proposition B, saying it would help prevent further cuts and offset reduced revenue collections. At the same time, school officials felt that it would not solve their financial problems.

The business establishment supported the tax increase although businesses were not enthusiastic campaigners. The president of the Chamber of Commerce of Greater Kansas City said that chamber leaders and their counterparts in allied organizations were satisfied with the proposal, because the tax burden was spread out over various sources. The president of Associated Industries of Missouri also supported the proposal because he felt it was a good balance of increasing taxes and education reforms, including smaller class size and the new approach to vocational education. Before May 1991, there was wide disparity in the positions of the local chamber and the statewide business organizations, but the legislature managed to compromise on the positions.

So, support for Proposition B was present but tentative. Gubernatorial candidates supported tax increases for education generally but were not completely behind the proposition. School administrators wanted the additional dollars but expressed concern about the adequacy of this funding. And business leaders reacted positively but did not actively campaign for Proposition B. The base of support existed but the package was not solid. This resulted

in ambivalent endorsements that may have swayed borderline voters negatively.

The primary supporters of Proposition B, Missourians for Quality Education, led by Governor Ashcroft, managed the campaign using a strategy of restraint. They wanted to gain voter sympathy for the education cause without stirring up antitax voters. Attention was focused on those who traditionally support education: school board members, teachers, college professors, and civic leaders. Four years prior to this proposal, advocates of a higher gasoline tax used a similar campaign strategy and managed to get the tax passed.

Missourians for Quality Education did purchase two 60-second television commercial ads as part of its $1.7 million campaign. The ads were run in areas where proponents needed to generate large numbers of votes. The commercials were designed to focus voters' attention on the potential benefits of Proposition B rather than the $385 million cost.

Opponents formed a group called "Missourians Against Proposition B." They suggested that people reject Proposition B in favor of having the state Legislature put a different tax and education package on the ballot the next year. One member of this group said that although she was not necessarily opposed to higher taxes for education, she considered Proposition B badly flawed, in part, because it increased the state sales tax, which she viewed as unfair. Lacking funds for widespread television advertising to counter supporters' low-profile campaign (proponents outspent the opposition 10:1), opponents used volunteer labor to assemble television ads and requested those stations running the pro-B ads to run their ads also.

After Its Defeat

After the voters defeated Proposition B, approximately 75 of the state's 541 school districts faced bankruptcy, and many others laid off teachers, cut programs, increased class sizes, and promoted local tax levies to maintain their budgets.

Lawmakers debated a tax increase that would not require voter approval (voter approval is required for increases above a certain level). Yet, the failure of Proposition B left many politicians in a bind where tax increases were concerned. Their constituents had their say, and their vote was antitax.

Policymakers also planned legislation for the 1992 session that would establish procedures if districts shut down. That legislation was passed and, beginning the summer of '92, it set up a transfer system for students whose schools were temporarily closed. As of February 1993, one district had ceased operation in an effort to regain its financial footing. Higher education officials have increased student tuition, increased class sizes, and cut programs since the defeat of Proposition B.

In 1992, Mel Carnahan (lieutenant governor under Ashcroft) was elected governor of Missouri. During his campaign, he advocated revising the school finance formula and increasing taxes for education. Looking forward, 1993 could bring a renewed attempt at wooing voters into approving higher taxes for education.

Policy Implications

Proposition B had two strikes against it from the outset. The first problem was economic and political. People suffering tough financial circumstances were naturally leery of approving any tax increases. The public's dissatisfaction with government, including the education administration (a discontent widely expressed throughout the nation recently), could only compound the problem. The second and arguably the most difficult hurdle was the lack of a revised, equitable school finance system for allocating these new funds.

Proponents of Proposition B may have been able to move voters past these barriers with the promise of a first- class education system. The Proposition B package apparently was not cohesive enough to convince the public of its potential success. School personnel were concerned about the

feasibility of some of the reforms in the package, and administrators were not convinced that funding was adequate--implying the need for future tax increases. Such questions spread from the minds of supporters to the minds of voters. Instead of focusing the public's attention on the comprehensive improvements that could have resulted from Proposition B, the debate raised questions about its adequacy.

NORTH DAKOTA: MEASURE 4

Background

In 1987-88, North Dakota had low state taxes, under $7.02 per $100 of personal income, ranking 31st in the country. The local tax revenue per $100 of personal income in FY 1987 was $3.35, ranking 37th. The state share of all school revenue in the same year was 51.2 percent. The average per pupil expenditure was $3,353, and the average teacher salary was $21,660. The most recent data indicate that in 1991-92, average per-pupil expenditure was $4,174, and the average teacher salary had risen to $23,574. The total number of K-12 children enrolled in public, nonpublic, and state institution schools was 118,809 in 1988 and 117,719 in 1991-92 (National Center for Education Statistics).

The History of Education Funding

The state's role in public education, as it is in most states, has been laid out in the state constitution, and North Dakotans have supported a portion of the education expenditures since statehood in 1889. In 1935, the legislature first appropriated state general fund revenue to support local public schools; the amount was $1 million. At the time, need, not uniformity, was the criterion for funding. In 1959, the present program of school financing--the foundation program--became law. There are two components of the foundation aid program: the foundation payment and the tuition payment.

The foundation payment comes from state tax revenues. The tuition payment comes from interest earned from the Common Schools Trust Fund and fines and penalties for violations of state law. Together they equal the total state payment. The 1959 law also forged a system of weighting factors to determine the exact per-pupil payment to each school district. The formula mirrors the geographical, economic, and political landscape and recognizes the social cost of space in a remote population, favoring schools with small enrollments and higher per-pupil costs. It also favors higher per-pupil payments for districts operating high schools.

Measure 6

State aid remained small until 1973 when external factors, namely, court cases in other states, placed greater responsibility on states to provide equal educational opportunities. This explains why Measure 6 found its way to the ballot in 1980.

In 1980, Measure 6 on the November ballot affected North Dakota's foundation aid program. The measure established the concept that the state must fund 70 percent of elementary and secondary education. To this end, Measure 6 imposed an additional 6.5 percent oil extraction tax and dedicated 45 percent of the revenue toward achieving the target. Problems arose with the oil bust of the 1980s, because the state never collected tax receipts to come close to a 70 percent state share of education funding. In fiscal year 1988-89, the state share was 46.8 percent, and 45.5 percent in 1989-90 (National Center for Education Statistics).

Major Players Involved

In 1988 the North Dakota Education Advancement Task Force, a group composed of members of both the private and public sectors, declared a crisis in North Dakota's education system. The task force argued that the future of the state upon entering its second century of statehood depended on the education system. Furthermore, the task force said that North Dakota required a revolution of rising expectations and a rededication to its schools as a means for achieving long-range economic recovery in the state.

In August 1988, the Joint Education Finance Committee of the North Dakota Legislative Assembly met to study the following: adequate funding for school districts; the amount of money spent by school districts for noninstructional purposes; the inequities in distribution of transportation

aid; local support; funding sources, including money from the federal government; and special needs of schools in sparsely populated areas of North Dakota. The studies of this committee culminated in the drafting and subsequent passage of numerous bills related to these education issues. Following the enactment of the bills in 1988, there was a special election in December 1989 to vote on proposed increases in the sales, income, and gasoline taxes to deal with the state's faltering economy. Voters defeated all measures, and as a result, North Dakota experienced budget cuts across the board. Although the proposed tax increases were not earmarked for education, cuts had to be made in education programs because sales and income tax revenue were down.

After the referral and rejection by North Dakota voters in December 1989 of various tax increases approved by the 1989 legislative assembly, a number of education organizations, including the North Dakota Council of School Administrators, the North Dakota Education Association, the North Dakota Parent-Teacher Association, and the North Dakota School Boards Association, called for the creation of a "blue ribbon" committee to address the future of elementary and secondary education in North Dakota. As a result, community and government leaders established the Education Action Commission in March 1990 as a forum for developing consensus on public elementary and secondary education issues. The commission called for many changes in education, including improved funding equity that would ensure quality education.

In August 1990, Governor George Sinner held a North Dakota education summit, the first one ever. The governor told members of the Education Action Commission that they must come up with reforms that could be implemented by the 1991 legislature. The commission's major goal was to raise the high school graduation rate from 89 percent to 95 percent, by the year 2000. They also placed greater importance on school funding than in the past. The commission organized eight public meetings across the state. The Education Action Commission was the first project of the governor's new Coordinating Council for Consensus, a group of six people formed to develop and recommend action plans for the reorganization and improvement of state and local governments.

According to a August 1990 article in the *North Dakota Forum*, Governor Sinner said he initially felt voters were misled when they overwhelmingly rejected three measures on the December 1989 ballot that would have increased state taxes. "I was wrong," Sinner said. "Maybe what they were saying was, 'Make some changes, improve the system, bring better quality and efficiency to the use of our dollars.'"

Measure 4

Measure 4, defeated in June 1990 by a wide margin, was a proposed 1 percent increase in the sales tax. Revenues from the increase were to be earmarked specifically for elementary, secondary, adult, and vocational education. The 1 percent increase in the sales tax would have resulted in a general sales tax rate of 6 percent; a sales tax rate of 4 percent for agricultural machinery, repair parts, and other agricultural items; and a sales tax rate of 8 percent on alcoholic beverages. The proposal would have raised an estimated $42 million, which would have been used to restore education budget cuts made by the state, totaling $228 per pupil over the 1989-91 biennium. The cuts were made after revenue collections came in significantly below projections, and voters in December of the previous year rejected a series of proposed tax hikes that had already been approved by the legislature.

Historically, North Dakota voters have approved modest tax increases when the money was shown to be targeted for special needs, such as education. However, Measure 4 was defeated soundly by a margin of 74,207 to 52,610 in June 1990, continuing the string of similar defeats since 1980. With approximately 94 percent of registered voters in North Dakota voting, this marked the second time in six months voters had rejected a proposal to raise state taxes for education.

The Court Case

The state is a defendant in a lawsuit brought by the Bismarck Public Schools and eight other school districts. The complaint alleges that the school financing mechanism disadvantages property-poor districts and that the present system fails to meet standards expressed in the North Dakota Constitution. The constitution reads, "The legislative assembly shall make provision for the establishment and maintenance of a system of public schools" (Article 8, Section 1 of the North Dakota Constitution), and the "Legislative assembly shall provide for a uniform system of free public schools throughout the state" (Article 8, Section 2). Disparity existed in per-pupil costs: The 1989-90 range for high school districts was from $2,282 to $7,767 (*Public School Finance Programs of the United States and Canada*).

The suit is still pending, although the trial was held in summer 1992. A decision is expected early in 1993. It is unclear if this court case influenced the defeat of Measure 4.

OREGON: MEASURE 5 and SB 814

Introduction

In the years between 1968 and 1987, Oregon had 16 separate measures on the ballot that would have affected school finance, only one of which, the "safety-net," passed. Eight of these measures were initiated by the voters (see appendix D).

The state tax in Oregon is relatively low, while local taxes were high, before Measure 5 was passed. In FY 1987, the state tax revenue per $100 of personal income was $6.22, ranking 39th nationally. In the same year, the local tax revenue per $100 of personal income was $6.00, ranking 4th in the nation. But Oregon is one of five states that has no state general sales tax.

In 1987-88, the state share of all school revenue was 26.6 percent which is low compared to national averages. Since 1985, Oregon has been ranked among the last five states in percent of state revenue for schools. But by 1995-96 the state share will be 70 percent.

The average per-pupil expenditure was $4,574, and the average teacher salary was $27,750. The average daily membership for K-12 in 1987-88 was approximately 443,000. Twelve percent of Oregon's school districts account for 65 percent of all students.

School Finance Initiatives

The governor's Commission on School Funding Reform, created in 1987-88, was a task force charged with investigating education financing. The commission was made up of seven citizens appointed by the governor and four legislators. The overriding purpose of the commission's proposals was to create stability for local school districts. Several of their recommendations resulted in the Oregon Legislature passing two bills, HJR 1 and SB 802, in 1989. However, these initiatives were defeated at the polls in May 1989.

The first bill, HJR 1, also known as Measure 1, would have established permanent, up-to-date tax bases in a third of the state's school districts, that did not have up-to-date basis, which means those property taxes would rise. It was backed by major business interests and Governor Neil Goldschmidt. Submitted to voters by the legislature, the provision allowed the districts' tax levy to increase up to 6 percent a year without voter approval. Measure 1 faced opposition from those against property tax increases and those who thought it would lead to a state sales tax.

Oregonians for Fairness in Education, a coalition of groups supporting Measure 1, estimated that in order for Measure 1 to pass, 30 percent of the voters would have to vote in the special election, twice the number that usually turn out. At the May 1989 special election, Measure 1 was defeated, 263,283 to 183,818.

The second bill, SB 802, would have frozen distribution of basic school support, increased funding for special education, and relieved property taxes, particularly in high tax-rate school districts. SB 802 did not take affect because it was tied to the passage of Measure 1.

The purpose of these two bills was to create stability for the two major sources of school revenue and to create temporary bridges to a school finance system that was less dependent on the property tax and more fair.

In 1989, the Oregon Legislature was able to pass similar bills, though with less funding. HB 2137 contained much of the school finance policy of SB 802, and SB 5559 funded HB 2137. HB 2658 helps school district mergers.

The Passage Of Measure 5

Measure 5 was passed by the people of Oregon in November 1990 with a vote of 574,833 to 522,022. Approximately 74 percent of the registered voters turned out. Measure 5 limits property tax rates and directs the

legislature, for five years, to replace any property tax revenue lost by the public school system because of those limitations. There was some debate in Oregon about whether Measure 5 was an amendment to reform school finance or just a property tax amendment that affected school finance.

No matter how you label it, Measure 5 fundamentally changed the way Oregon finances its schools, shifting the burden from local property owners to the state. This trend is already reflected in the data for 1991-92 which shows a 5 percent increase in the state's share over the previous year.

The Court Case

In 1989, the Coalition for Equitable School Funding, which included students, parents, and 56 districts, filed suit against the state claiming inequitable financing of public education. They claimed that the wide disparities in property wealth among the school districts created unconstitutional inequities for taxpayers and students. State Superintendent of Public Instruction Norma Paulus was a proponent of the suit.

In March 1990, the Marion County circuit judge dismissed the case, on the grounds that *Olsen v. State ex rel Johnson*, (1976) had concluded that the state constitution does not require equitable funding for its students. Article 8, Section 3 of the Oregon Constitution states, "The Legislative Assembly shall provide by law for the establishment of a uniform and general system of common schools."

On appeal the suit went to the Oregon Supreme Court where the court agreed to accept briefs on how Measure 5, which had passed while the case was pending, would affect the coalition's suit. In May 1991, the Oregon Supreme Court upheld the constitutionality of the state's educational funding system.

Some people felt that the passage of Measure 5, in the middle of the lawsuit, made the case irrelevant. The Oregon Supreme Court, however, found otherwise. The court said, "Measure 5 does not purport to define--one way or another--the legislature's duty to do what the plaintiffs claim that the state constitution requires it to do. Although Measure 5 is complex, its basic directive is straightforward: It limits the taxes that may be imposed on any property by limiting tax rates. . . .Measure 5 also directs the Legislative Assembly for five years, to 'replace, from the state's general fund, any (property tax) revenue lost by the public school system because of the limitations.'"

Other Alternatives

Norma Paulus, the state superintendent of public instruction who supported the lawsuit brought against the state by the coalition, emphasized Measure 5 by saying, "Measure 5 would only create wider gaps between the rich and poor school districts."

In 1990, property taxes in Oregon paid for two-thirds of public school costs.

In August 1990, before the passage of Measure 5, Norma Paulus, a former legislator and secretary of state, held a town-hall meeting in Salem to discuss school finance reforms. The more than 1,000 people; educators, school board members, and civic leaders who attended, were supportive of her suggested reforms. Paulus' plans included replacing with a sales tax, the local property tax on which Oregon's 295 school districts depend.

In Paulus' plan there would be safeguards to ensure that the sales tax would be dedicated to schools, the property taxes would be reduced, and the rate would be set in the Oregon Constitution. She also promised that the voters could reconsider the plan a few years after it was implemented. If the voters didn't like it, they could vote the plan down.

Despite her opposition to Measure 5, the voters approved it in November, a few months after the town-hall meeting.

A report titled "A Dollars and Sense Look at Oregon School Finance" was funded by Oregon Tax Research and discussed

several aspects of school financing, including tax alternatives and how money is spent in Oregon. It emphasized the stability of the property tax, the limited public support for the income tax, and the pros and cons of a state sales tax. One reason the voters had rejected a sales tax at the polls so many times is that they believed that once enacted the tax would increase rapidly. Also, many voters wanted Oregon to remain one of the few states left with no state sales tax.

The Consequences of Measure 5

In November 1990, Measure 5 was passed. In January 1991, the state had to find money to replace school funds lost to property-tax reductions. An estimated $450 million would be lost over the first two years. For those two years, money for schools would have to come from budget cuts in other agencies. For the long term, the state had to find permanent funding, such as an income tax or a sales tax, and an equitable way to distribute it to the schools. Measure 5 fundamentally shifted the burden of financing schools from local property owners to the state. In 1991, property tax reductions were estimated at $450 million over two years, rising to about a $2.5 billion loss in the 1995-97 biennium.

Governor Barbara Roberts, elected in 1990, had to come up with a proposed budget to deal with the reductions. Educators, led by Norma Paulus and John Danielson, chief lobbyist for the Oregon Education Association, urged the governor to return to the schools all the money they had lost. They also asked for additional money to cover inflation and increased enrollment costs.

Education groups were also concerned that with limited property tax to support schools, the role of the local school board and the community in dealing with school issues would drastically change. If they could not raise money beyond a certain tax limit, then they felt they would not be able to positively affect their education systems.

Policy Implications of the Court Decision

Although recognizing the difficulties of the current school finance system, the Oregon Supreme Court upheld the constitutionality of the state's educational funding system. It prefers to leave the decision in the hands of the legislature.

In states where a court does declare the school financing system unconstitutional, the legislature gets a court order to make the needed changes.

The outcome of such court battles depend on the interpretation of the state's constitution. Article 8, section 3, of the Oregon Constitution says, "The state must establish a uniform system of common schools." The coalition based its case on this provision contending that Article 8 forbids two kinds of disparities: disparities between state standards and the amount of state funding and disparities among school districts in financial benefits or tax burdens. The court, however, decided the case on a more recent constitutional provision called the "safety net."

In 1987 the legislature initiated the "safety net" by referring Senate Joint Resolution 3 to the voters as Measure 2. Measure 2 became Article 11, Section 11a, of the state constitution. The court ruled that "the Safety Net explicitly directs school districts to meet state standards with property taxes. . . . The safety net also permits district-to-district disparities in taxation and level of funding per pupil. Those variations are inherent in a system that relies substantially on local ad valorem property taxes."

According to the court, Measure 5 does not change the court's conclusions based on the safety net, and the court said Measure 5 was silent about "whether funding must equal the entire amount required to meet state standards or about how state money must be distributed among school districts. Rather, it requires the state to appropriate for 'the public school system' a certain amount of money for five years."

The court also repeated an observation first made in *Olsen v. State ex rel Johnson*: "Our decision should not be interpreted to mean that we are of the opinion that the Oregon system of school financing is politically or educationally desirable. Our only role is to pass upon its constitutionality."

The solutions to school financing problems provided for in the Oregon Constitution are political ones, which remain within the power of the legislature.

A New Funding Formula-SB 814

So in 1991, the legislature responded with SB 814 which approved landmark school finance legislation. It was designed to provide equity in funding public education. It is based on the idea of equal funding for like students no matter where the students live.

Under this formula, a general purpose grant, funded by a combination of state and local sources, is calculated for each school district based on the number of students in the district plus additional weighting for higher cost programs, like special education, English as a Second Language, union high districts, remote small schools and for students living in foster homes or neglected and delinquent facilities. The number of students in poverty families is an additional factor. The target grant per weighted student for 1992-93 is set at $4,500.

The state legislature will need to provide adequate funding to reach this level, despite the progressive reductions in local property tax rates mandated by Measure 5. The legislature may also need to refine other formula elements to ensure an equal education for all students.

The Katz Education Reform Bill

Since the legislature changed the way Oregon pays for schools, policymakers and educators began to look at fundamental changes in the way schools were organized. In June 1991, a comprehensive education reform bill, HB 3565—the "Oregon Educational Act for the 21st Century," or the Katz reform bill—was passed in the legislature. It provided broad-based change in the way Oregon's children would be educated.

The objectives of this bill are to achieve educational performance standards and outcomes, to establish a "Certificate of Initial Mastery," to establish alternative learning environments and services for those students having difficulty achieving the skills necessary to obtain a Certificate of Initial Mastery, to establish early childhood programs and academic professional technical programs, and to establish partnerships between business, labor, and the educational community.

APPENDIX A

STATE SCHOOL FINANCE DATA

California Fiscal Comparison Data

	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	Projected 1991-92
% Provided by State	66.5%	67.9%	65%	65.1%	65.4%	65.1%	63.6%
$ Provided by State	$11,360,600	$12,584,600	$13,076,600	$14,478,600	$15,759,600	$16,372,600	$16,911,600
% Provided by Localities	26.9%	25.8%	28.3%	28%	27.9%	27.9%	27.9%
$ Provided by Localities	$4,598,600	$4,783,600	$5,699,600	$6,232,600	$6,739,600	$7,021,600	$7,426,000
% Provided by Federal	6.7%	6.3%	6.7%	6.8%	6.8%	7%	8.5%
Average Daily Attendance	4,242,400	4,374,100	4,464,085	4,564,062	4,738,570	4,978,018	5,074,531
Nat'l. Rank Based on ADA	1	1	1	1	1	1	1
$ per ADA Annually	$3,593	$3,794	$3,916	$4,303	$4,645	$4,561	$4,686
Nat'l. Average of $ per ADA	$3,785	$3,987	$4,279	$4,607	$4,975	$5,241	$5,466
Nat'l. Rank Based on $ per ADA	27	26	27	25	26	34	36
# Operational School Districts	1,028	1,028	1,026	1,018	1,010	1,012	1,009
State Finance & Ed. Reforms	State Lottery Approved			Prop 98	Prop 111		

Sources: First 5 rows: K-12 Education Funding - Ten Year History 10/8/92 - Legislative Analyst's Office
Rows 6-11: As reported by State Department of Education to NEA

	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	Projected 1991-92
% Provided by State	25.8%	23.6%	23%	23.1%	26.5%	35.6%	39.6%
$ Provided by State	$228,252,528	$226,459,588	$229,089,548	$244,597,136	$313,381,784	$454,617,162	$513,532,764
% Provided by Localities	68.3%	70.9%	70.4%	70.6%	67.5%	58.5%	53.8%
$ Provided by Localities	$603,841,306	$679,493,381	$701.829,440	$745,886,756	$798,852,347	$747,437,609	$696,998,432
% Provided by Federal	5.9%	5.5%	6.7%	6.3%	6.0%	5.9%	6.6%
Average Daily Attendance	250,975	252,457	252,399	252,894	254,412	257,160	260,880
Nat'l. Rank Based on ADA	37	37	36	36	36	36	36
$ per ADA Annually	$3,420	$3,522	$3,710	$3,973	$4,333	$4,550	$4,711
Nat'l. Average of $ per ADA	$3,785	$3,987	$4,279	$4,607	$4,975	$5,241	$5,550
Nat'l. Rank Based on $ per ADA	35	36	38	36	34	35	35
# Operational School Districts	915	887	860	834	802	780	751
State Finance & Ed. Reforms					LB 89 & LB 183	LB 259 & LB 1059	

Oklahoma Fiscal Comparison Data

	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	Projected 1992-93
% Provided by State	65%	62%	61%	62%	67%	66.9%		
$ Provided by State	$1,056,183,794	$948,112,588	$963,935,241	$1,034,000,674	$1,083,919,528	$1,282,255,106	$1,183,613,602	$1,200,000,000
% Provided by Localities	29%	32%	32%	31%	27%	26.9%		
$ Provided by Localities	$467,757,402	$485,846,910	$503,881,931	$509,804,315	$516,219,483	$516,219,476		
% Provided by Federal	6%	7%	7%	6%	6.2%	6%	6%	6%
Average Daily Attendance		582,227	550,606	543,300	540,000	548,386	544,800	
Nat'l. Rank Based on ADA		21	25	26	26	22	25	
$ per ADA Annually		$3,082	$3,051	$3,333	$3,484	$5,261	$5,452	
Nat'l. Average of $ per ADA		$3,983	$4,216	$4,607	$4,890	$3,901	$3,901	
Nat'l. Rank Based on $ per ADA		43	45	44	44	43	43	
# Operational School Districts	613	613	611	609	604	578	571	
State Finance & Ed. Reforms				HB 1049		HB 1017		

Colorado Fiscal Comparison Data

	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91
% Provided by State	39.2%	36.6%	37.2%	35.8%	36.7%	37.6%
$ Provided by State	$881,553,859	$881,443,864	$935,144,168	$956,622,654	$1,055,366,664	$1,131,028,638
% Provided by Localities	56.4%	59.1%	58.3%	59.8%	58.7%	57.9%
$ Provided by Localities	$1,271,041,826	$1,424,756,828	$1,467,715,920	$1,616,041,592	$1,688,460,130	$1,744,234,699
% Provided by Federal	4.2%	4.2%	4.2%	4.4%	4.6%	4.5%
Average Daily Attendance	507,876	513,587	514,838	514,232	519,419	521,899
Nat'l. Rank Based on ADA						
$ per ADA Annually						
Nat'l. Average of $ per ADA						
Nat'l. Rank Based on $ per ADA						
# Operational School Districts	176	176	176	176	176	176
State Finance & Ed. Reforms				School Finance Act of 1988		

Note: For a student count, Colorado uses a combination of pupils and instructional units based on average daily membership. Membership is counted in October and February of each year, with the average of the two taken as pupil enrollment. Enrollment, defined as average daily membership on the school day nearest to October 1 and February 15, is counted each year and the two counts are averaged. The funded pupil count is either that total or the average of that total and the prior year's funded pupil count, whichever is greater.

Missouri Fiscal Comparison Data

	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	Projected 1991-92
% Provided by State	44.5%	40.6%	41.2%	40.7%	38%	35.9%	34.9%
$ Provided by State	$983,317,721	$1,027,178,031	$1,127,611,023	$1,186,400,338	$1,244,476,716	$1,284,170,692	
% Provided by Localities	50.8%	52.9%	52.5%	53.4%	56.4%	59%	60%
$ Provided by Localities	$1,125,477,655	$1,229,930,424	$1,423,028,483	$1,444,427,038	$1,523,634,152	$1,676,699,125	
% Provided by Federal	4.7%	6.5%	6.3%	5.9%	5.6%	5.1%	5.1%
Average Daily Attendance	715,000	719,000	723,800	727,667	725,525	731,704	741,354
Nat'l. Rank Based on ADA	16	17	17	16	17	17	17
$ per ADA Annually	$3,110	$3,338	$3,641	$3,923	$4,142	$4,383	$4,534
Nat'l. Average of $ per ADA	$3,785	$3,983	$4,279	$4,607	$4,952	$5,241	$5,456
Nat'l. Rank Based on $ per ADA	36	36	36	33	35	41	41
# Operational School Districts	544	545	545	545	544	543	541
State Finance & Ed. Reforms						HB 353	SB 587
"National Rank Based on ADA" & "National Rank Based on $ per ADA" are based on NEA rankings of the states.							
Missouri uses the term "eligible pupil" for student counting purposes, defined as average membership and attendance.							

North Dakota Fiscal Comparison Data

	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	Projected 1991-92
% Provided by State	53.1%	50.8%	51.4%	46.8%	44.8%	44.1%	44% *
$ Provided by State	$225,941,000	$214,063,000	$222,567,000	$219,852,000	$218,041,000	$232,350,000	$236,000,000 *
% Provided by Localities	38.1%	39.8%	39.7%	44.2%	45.5%	46.6%	46.6% *
$ Provided by Localities	$162,218,000	$167,975,000	$172,127,000	$206,607,000	$221,450,000	$230,895,000	250,000,000 *
% Provided by Federal	8.9%	9.4%	8.9%	9.3%	9.8%	9.4%	7.3% *
Average Daily Attendance	109,366	109,074	109,512	109,271	109,659	109,691	110,635
Nat'l. Rank Based on ADA	46th	46th	46th	46th	46th	44th	44th
$ per ADA Annually	$3,039	$3,057	$3,152	$3,338	$3,545	$4,669	$4,718
Nat'l. Average of $ per ADA	$3,785	$3,756	$3,977	$4,243	$4,620	$5,824	$6,070
Nat'l. Rank Based on $ per ADA	40th	37th	37th	38th	40th	42nd	43rd
# Operational School Districts	286	282	276	276	268	262	257
State Finance & Ed. Reforms							
* Figures estimated by the National Education Association based on prior trends in North Dakota Revenues.							

Oregon Statistical Information

	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	Projected 1991-92
% Provided by State	27.8%	27.2%	26.4%	26.5%	26.2%	26.2%	31.2%
$ Provided by State	$503,503,000	$517,279,000	$527,206,000	$568,681,000	$604,523,000	$648,601,000	$829,812,000
% Provided by Localities	66.8%	67.1%	67.8%	67.6%	67.9%	67.9%	62.7%
$ Provided by Localities	$1,210,816,000	$1,276,894,000	$1,352,689,000	$1,474,077,000	$1,565,527,000	$1,684,327,000	$1,666,578,000
% Provided by Federal	5.4%	5.7%	5.8%	5.9%	5.9%	5.9%	6.1%
Average Daily Attendance	401,475	402,855	406,054	409,719	419,771	431,806	442,272
Nat'l. Rank Based on ADA							
$ per ADA Annually	$4,176	$4,356	$4,661	$4,904	$5,103	$5,564	$5,972
Nat'l. Average of $ per ADA	$3,785	$3,987	$4,279	$4,607	$4,975	$5,241	$5,466
Nat'l. Rank Based on $ per ADA	13	14	14	15	18	15	13
# Operational School Districts	303	302	302	302	298	296	291
State Finance & Ed. Reforms							HB 3565
Note: Oregon, unlike most states, counts children in kindergarten as (.5) regardless of whether the program is full or half day, for purposes of compiling an ADA count							

APPENDIX B: EDUCATION DATA FOR THE 50 STATES

States	Number of school districts 1990-91	Enrollment 1991-92	Percent change in enrollment fall 1989 to fall 1990	Number of teachers 1991-92	Student/ teacher ratio 1991-92	Average beginning teacher salary 1990-91	Average teacher salary 1990-91	Per capita personal income 1989	Per pupil expenditure 1991-92	Length of school year in days 1989
Alabama	130	726,115	0.3	39,760	18.3	$22,114	$26,846	$13,625	$3,382	175
Alaska	54	115,277	4.4	7,116	16.2	**29,950**	**43,406**	21,656	8,076	NA
Arizona	216	673,801	2.5	34,648	19.4	21,375	30,773	15,802	4,417	175
Arkansas	324	437,616	0.1	25,997	16.8	17,458	23,735	12,901	3,833	178
California	1,012	**5,140,000**	3.7	**222,000**	23.2	24,570	39,118	19,929	4,612	180
Colorado	176	593,030	2.0	32,826	18.1	19,786	31,819	17,553	5,172	180
Connecticut	166	478,300	1.6	34,500	13.9	25,312	43,398	**24,883**	7,819	180
Delaware	19	101,543	1.9	6,058	16.8	21,112	35,246	18,483	6,210	180
District of Columbia	**1**	**80,092**	-0.7	**6,014**	**13.3**	23,327	39,362	23,491	**9,028**	190
Florida	67	1,932,293	4.0	109,806	17.6	21,368	30,555	17,647	4,804	180
Georgia	185	1,177,324	2.0	66,893	17.6	20,471	28,950	16,053	4,406	180
Hawaii	**1**	174,249	1.1	9,189	19.0	23,792	33,548	18,472	4,772	**183**
Idaho	113	225,680	2.9	11,514	19.6	**15,685**	25,510	13,707	3,381	180
Illinois	955	1,851,000	1.3	109,916	16.8	21,954	34,642	18,824	4,866	180
Indiana	294	958,240	0.1	55,635	17.2	20,247	32,931	15,779	4,487	180
Iowa	430	491,363	1.1	31,399	15.6	19,404	27,949	15,487	4,413	180
Kansas	304	445,774	1.4	30,808	14.5	18,954	28,188	16,498	4,571	NA
Kentucky	176	634,200	-0.1	37,160	17.1	19,311	29,115	13,743	4,039	175
Louisiana	66	695,379	0.2	45,401	15.3	17,486	26,170	12,921	4,249	180
Maine	230	216,887	0.9	15,269	14.2	18,878	28,531	16,248	5,620	NA
Maryland	24	736,238	2.3	43,314	17.0	23,548	38,312	21,013	5,771	180
Massachusetts	360	841,785	1.0	58,134	14.5	21,800	36,090	22,174	5,958	NA
Michigan	619	1,587,082	0.6	80,064	19.8	22,400	37,800	17,444	5,653	180
Minnesota	433	775,567	2.6	44,200	17.5	21,029	33,128	17,657	5,158	175
Mississippi	151	501,525	0.4	27,824	18.0	18,950	24,609	**11,724**	3,155	NA
Missouri	543	822,593	0.5	53,304	15.4	20,293	27,636	16,292	4,086	NA
Montana	528	153,075	1.2	9,599	15.9	18,400	26,696	14,078	4,880	180
Nebraska	780	277,652	1.2	18,358	15.1	18,344	26,592	15,446	4,428	NA
Nevada	17	211,810	**7.8**	11,305	18.7	24,358	35,269	19,269	4,470	NA
New Hampshire	160	173,881	0.6	10,677	16.3	20,635	31,273	20,267	5,681	180
New Jersey	592	1,109,604	1.3	80,412	13.8	24,500	38,411	23,778	8,793	180
New Mexico	88	297,006	1.5	15,458	19.2	19,124	25,800	13,140	4,094	180
New York	718	2,645,000	1.3	188,400	14.0	26,375	42,080	21,073	7,637	180
North Carolina	134	1,092,447	0.4	64,435	17.0	19,810	29,165	15,198	4,681	180
North Dakota	268	117,719	0.0	6,555	18.0	16,274	23,574	13,563	4,174	180
Ohio	612	1,758,071	0.4	103,884	16.9	18,452	31,964	16,373	5,972	182
Oklahoma	603	579,200	0.1	37,000	15.7	18,575	24,378	14,154	3,750	175
Oregon	296	498,608	2.6	23,812	20.9	20,357	32,295	15,919	5,156	175
Pennsylvania	500	1,667,087	0.7	100,750	16.5	23,250	36,057	17,269	6,347	180
Rhode Island	37	140,915	2.2	9,500	14.8	20,887	38,220	17,950	6,425	180
South Carolina	93	627,471	0.9	37,280	16.8	19,757	28,174	13,634	3,947	NA
South Dakota	183	131,576	1.2	8,369	15.7	16,676	**22,363**	13,685	4,057	NA
Tennessee	139	832,330	0.6	42,923	19.4	20,150	28,248	14,694	3,446	NA
Texas	**1,076**	3,435,749	2.0	210,154	16.3	20,150	28,100	15,702	4,208	175
Utah	40	454,218	2.1	17,941	**25.3**	17,234	25,415	13,079	**2,827**	NA
Vermont	303	96,802	1.5	7,170	13.5	18,509	29,714	16,371	6,849	NA
Virginia	137	1,016,017	1.4	63,900	15.9	22,206	32,692	18,927	4,794	180
Washington	296	868,551	3.6	44,812	19.4	20,612	32,975	17,647	5,070	NA
West Virginia	55	320,249	**-1.8**	21,039	15.2	18,728	25,966	12,345	4,941	180
Wisconsin	428	821,550	1.0	52,152	15.6	20,689	33,077	16,449	5,707	180
Wyoming	49	99,330	1.1	**6,014**	16.5	19,238	28,996	14,508	5,946	175
United States	15,181 (total)	41,838,871 (total)	1.6 (average)	2,431,008 (total)	17.2 (average)	21,542 (average)	32,808 (average)	17,596 (average)	5,097 (average)	NA

Highest and lowest in each category are in **bold.** Reprinted with permission from *Teacher Magazine.*
Sources: *Digest of Education Statistics: 1991,* National Center for Education Statistics; *Public and Private Elementary and Secondary Education Statistics: School Year 1991-92,* National Center for Education Statistics; *Ranking of the States: 1991,* National Education Association; *1991 Teacher Salary Survey,* American Federation of Teachers.

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APPENDIX C: SUMMARY OF SCHOOL FINANCE LITIGATION IN THE STATES*

States in Which the School Finance System Has Been Found to be Unconstitutional by the State's Highest Court	States in Which the School Finance System Has Been Challenged and Upheld by the State's Highest Court	States in Which the School Finance System is Currently Being Challenged
Arkansas (1983)	Arizona (1973)	Alabama (filed in 1990)
California (1971)	Colorado (1982)	Idaho (2 filed in 1990)
Connecticut (1977)	Connecticut (1985)	Illinois (filed in 1990)
Kentucky (1989)	Georgia (1981)	Indiana (filed in 1987)
Montana (1989)	Idaho (1975)	Kansas (filed in 1990)
New Jersey (1973, 1990)	Maryland (1983)	Massachusetts (filed in 1990)
Texas (1989)	Michigan (1984)	Michigan (2 filed in 1990)
Washington (1978)	New York (1982)	Minnesota (filed in 1988)
West Virginia (1982)	Ohio (1979)	Missouri (filed in 1990)
Wyoming (1980)	Oklahoma (1987)	North Dakota (filed in 1989)
	Oregon (1976)	Oklahoma (filed in 1990)
	Wisconsin (1989)	Oregon (filed in 1989)
		Rhode Island (filed in 1990)
		Tennessee (filed in 1988)

* This table only includes state court activity. It does not include federal court activity. Any decision upholding the constitutionality of a system delivered prior to a subsequent declaration by a state supreme court that the system was unconstitutional is not shown.

Note: In some states cases have been filed that are inactive (as in Alaska), a case has been filed that only indirectly affects the state's school finance system (as in Ohio), or a case was filed but dropped by plaintiffs after a new school finance system was enacted (as in Colorado).

Source: John Augenblick, Steven D. Gold, and Kent McGuire. *Education Finance in the 1990s*. Denver: Education Commission of the States, 1990. Reprinted with permission.

APPENDIX D: SCHOOL FINANCE REFORM BALLOT MEASURES IN OREGON

Measure	Date	V/L[a]	Balloting
Property Tax Limitation	November 1968	V	276,451 Yes 503,443 No
Sales Tax	June 1969	L	65,077 Yes 504,274 No
School Property Tax Equalization	May 1970	V	180,602 Yes 405,437 No
New Property Tax Bases for Schools	November 1970	V	223,735 Yes 405,437 No
Prohibition of Use of Property Taxes for Schools	November 1972	V	342,885 Yes 558,136 No
School Tax System Reform ("McCall Plan")	May 1973	L	253,682 Yes 358,219 No
Income and Corporate Tax Increase for Schools	May 1974	L	136,851 Yes 40,733 No
School Operating Levy Measure ("Safety Net")	May 1977	L	112,570 Yes 252,061 No
Property Tax Limitation	November 1978	V	424,029 Yes 453,741 No
Property Tax Limitation	November 1978	L	383,532 Yes 467,765 No
Property Tax Limitation	November 1980	V	416,029 Yes 711,617 No
Tax Base Increase to Include New Construction	November 1982	L	219,034 Yes 768,500 No
Property Tax Limitation	November 1982	V	504,836 Yes 515,626 No
Property Tax Limitation	November 1984	V	599,424 Yes 616,252 No
Sales Tax	September 1985	L	189,733 Yes 664,365 No

[a]V = Voter Initiated; L=Referred by Legislature. Source: Oregon Department of Education

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